PUBLIC WORKS AND SAFETY
STANDING COMMITTEE MINUTES
Monday, February 13, 2023

The meeting of the Public Works and Safety Standing Committee was held on Monday, February 13, 2023, at 5:00 p.m. The following members were present: Commissioner Bynum, Chairman; Commissioners Kane, Markley, Johnson, and BPU Board Member Groneman. Commissioner Ramirez was absent. The following officials were also in attendance: Alan Howze, Assistant County Administrator; Casey Meyer, Senior Counsel; Jeff Fisher, Director of Public Works; Troy Shaw, County Engineer; and James Bain, Assistant Counsel.

Chairman Bynum said before I call the meeting to order, I want to announce that some committee members, staff, and the public are attending remotely via Zoom as well as on-site. All participants joining by phone should mute their phones when not speaking to avoid background noise. When speaking, please speak directly into the microphone to ensure everyone listening is able to hear your comments and to ensure a clear record is made. During the meeting, please make sure that you announce yourself by name and title every time you speak so the public that is observing knows who is speaking. This is critical given the number of remote participants and is the current guidance from the Kansas Attorney General.

The public is allowed to participate by Zoom or submit comments by email prior to the meeting. Those comments will be included in the record of this meeting. The public may also indicate their intent to provide remote public comments by contacting the Clerk's Office by 5:00 p.m. the Thursday before the meeting. The public also will have an opportunity to provide brief comments either by telephone or via Zoom from the 5th Floor Conference Room of the Municipal Office building.

Chairman Bynum called the meeting to order. Roll call was taken and all members were present as shown above.

Chairman Bynum asked, do we have revisions to our meeting tonight.

Brett Deichler, County Clerk, said we do. There was an item added for Standing Committee minutes from the November 14, 2022 meeting. We also had a new item added which is a resolution for the County Initiative for funding which is the CIFI Infrastructure. One item was changed, which was the presentation to Biosolids which we will be handling here soon.

ADDED ITEM

Approval of standing committee minutes from November 14, 2022. **On motion of Commissioner Markley, seconded by Commissioner Kane, the minutes were approved**. Roll call was taken and there were five "Ayes," Kane, Markley, Groneman, Bynum, Johnson.

COMMITTEE AGENDA

Item No. 1 – 212238…PRESENTATION: BIOSOLIDS ASSESSMENT

Synopsis: A presentation of the assessment conducted by Nancy Zielke, Managing Director, Alvarez & Marsal Public Sector Services, LLC related to Biosolids, submitted by the County Administrator's Office.

Chairman Bynum said I will turn it over to Nancy Zielke, who has done an assessment of the project, and I believe it's for information only, but I will turn it over to you to bring us the presentation. (PowerPoints are missing as YouTube was not working and we can't decipher where to insert them).

Nancy Zielke, Managing Director, Alvarez & Marsal Public Sector Services, LLC said thanks, Commissioner, and good evening. I am not going to go through every 53 pages of this, but in talking with Commissioner Bynum last week as well as Commissioner Burroughs, I thought it would also be important to also brief kind of where we're at, what the purpose of the assessment is and can give you kind of the reader's digest version of the assessment.

Work is still under way. Our goal is to hopefully wrap this work up this week, but we're still missing some key items that specifically being able to do a deeper dive on the revenue assumptions for the biosolids, as well as one of the key factors, a return-on-investment analysis, and both of those are kind of tied together. So again, that kind of remains our work.

Just real quick as we're calling the presentation up, the County Administrator had asked for us to complete a project assessment of the Biosolids Project. You know that I know you've had several Commission meetings on the project itself. but in talking initially with Commissioner Bynum, as well as Burroughs, as well as the Mayor, there's concern as it related to facts, and what we tried to do in this assessment is to lay out for the Commission some of the facts related to the project, you know, specifically as it relates to how much has been spent, so what's the investment that the county has made to date?

Presentation Outline

Assessment Purpose & Objectives

Project Calendar & Major Milestones

Current Project Investment

Revised Biosolids CMIP Revised Projections and Sources Analysis

Economic Impact of Revised CMIP Project to Sewer System Customer Rates

Return on Investment Analysis

Biosolid Alternative Proposal Review

Recommendations

Appendix

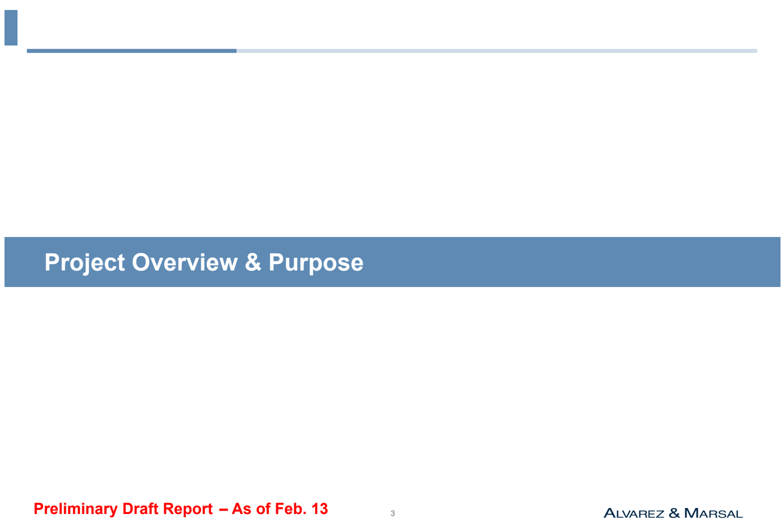
Preliminary Draft Report – As of Feb. 13 2 ALVAREZ & MARSAL

Also to provide understanding of the timeline, understanding of the partners involved, meaning the various consulting firms in the project. Also, then provide some explanation of how the project initially went from, you know, where it was in 2012, to where it's at today, kind of so a chronological kind of history of why the project has seen its increases, and like I said, finally we're going to be talking about a return on investment analysis.

We've identified some preliminary recommendations to the Commission as well. Like I said a few minutes ago, we're still in the process and we'll be making additional refinements as well. So, as I said, the report itself talks about what's the investment to date, timelines and key milestones, again giving you that construction analysis, again, why have you seen the increases in the project costs, future operating costs, and once the facility is up and running, what's the anticipated costs, the impact of the project as it relates to rates, return on investment, and alternatives. So, throughout the project we visited with 12 individuals. Some individuals just provided information, you know, specifically in the case of Kevin Bibbs, as well as through the Clerk's Office, resourceful in giving us copies of contracts and invoices. The other individuals who spent a significant amount of time, you know, talking about and understanding the Biosolids.

So, in the report itself is a very more detailed, you know, timeline. But basically, the project basically went back to 2012, almost 11 years ago when Black and Veach initially presented the Biosolids Master Plan. From that then the Commission made the decision to move forward with the design build concept and with that the decision was made to then hire HDR to basically be your owner's rep or basically your project manager to oversee the, you know, as I would call a very complex project.

You hired then Energy Systems Group who was initially hired in 2018. They were dismissed from the project in '18, and then the Unified Government entered into a contract with UG Water Partners, which is a consortium owned primarily by Burns and McDonald, as well as CAS Construction, along with other individuals. For the sake of time, I'm not going to go through it's line by line of the timetable, but I think this is for the Commission's benefit. As you receive the report, you can kind of see specifically that the specific milestones and activity, you know, that has occurred.



Purpose & Objectives of Assessment

The Unified Government of Wyandotte County/Kansas City, Kansas (“Unified Government” or “UG”) engaged Alvarez & Marsal Public Sector Services, LLC (“A&M”) to perform an independent assessment of the economic benefits and capital investment considerations of its current Kaw Point Public Work Biosolids Capital Improvement Project.

The current Kaw Point Wastewater Treatment Facility (Kaw Point) has been built in the 1960's as the one primary sewerage treatment plants for the City. The Kaw Point is in need of major repairs and modernization to allow the UG to dispose of biosolids through land -application instead of landfilling in order to save money and provide increased flexibility. Additionally, the biogas byproduct will be harvested for additional revenue to help offset costs.

The Kaw Point Biosolids Project is a major initiative to also support the Unified Government’s economic development plan to support environmental, social, and governance policy efforts to promote expanded development within Kansas City, Kansas. The project is also part of the City’s efforts to address the 2022 Consent Decree with the U.S. Environmental Protection Agency (“EPA”) and the U.S. Department of Justice (“DOJ”).

Key project assessment components include:

- Current Project Investment
- Project Timeline and Key Milestones
- Assessment of Revised Biosolids CMIP Construction Analysis
- Future State Operating Cost and Investment Analysis
- Economic Impact of Project to Kansas City Sewer System Rate Payors
- Return on Investment Analysis
- Alternative Proposal Considerations
- Recommendations

Preliminary Draft Report – As of Feb. 13 4 ALVAREZ & MARSAL

Investments to Date: So this was a snapshot as of the end of December. To date—first, I want to talk about the Unified Government had issued bonds in 2021, a little bit over $4 million, as well as you have about $4 million in temporary notes outstanding, so total cash in the city treasury of $8.2 million in actual project cash to date. So the second one we took a look at the spending so as of the end of December there was $4.3 million in actual construction related, I won’t say construction, engineering, and planning spend that has occurred. As you can see, some of this goes back to 2019, which related to the preliminary concept plans as well as some of the preliminary engineering work that has been made, Black and Veach $82,000, $52,000 for Burns and McDonald for some work that completed in ‘21. Energy Systems Group, again, your first design build contractor, $2.1 million. HDR, your owner's rep, $757,000. Springstead, your financial advisor, did some preliminary work as it related to looking at some rate analysis that was done, and then finally UG Water Partners, almost $1.3 million for a total again of $4.3.

Like I said, this is as of December 31st. I have not pulled invoices for the month of January. Specifically, when we looked at the expenditures we did find—we first looked to make sure that invoices, that we're matching what was in your financial system and we were able to do a reconciliation. But; however, we did find in some cases invoices did not match the contract values, meaning if there was a rate for like a principle or a rate for like an engineering technician, they were not matching, so we found four instances where invoices were paid where they did not match the amounts in the specific contract amounts.

Secondly, we also had some difficulty in seeing where statement of work in many cases like Black and Veach and Burns and McDonald staffs using on-call engineering service contracts. We did receive the kind of updated amendments to those, but in many cases the County Administrator did not actually execute a statement of work related to those on-call services. And then secondly, we do understand that there's a contract clearance review process that does require any contracts over $50,000, a change order or 10% requires a kind of review process. So, we did see that that did occur in those instances. But again, what we had cited was the fact that anything under $50,000 we did not see where the Administrator had signed those. These tables are really hard to read, but we just tried to layout for the Commission kind of the purpose of each other of the consulting contracts, what the terms are, as well as any specific amendments. As you can see here, there will be on-call services, there were recent amendments. In fact, we just received those this afternoon. It takes the on-call through the end of this year.

For the Commission we provided out of a better detailed understanding of UG Water Partners that basically identifies not only Burns and McDonald as well as CAS Construction Contractors. But we also were able to then identify a lot of the other network of firms that are also involved with UG Water Partners. It’s all important so the Commission had a full understanding of the various firms involved. In fact, I think there's a total of about 8 or 9 different companies involved in the UG Water Partners.

This went into more detail as it relates to the findings we found where invoices were not matching. So, we're completed to date. So, you know, first of all, Public Work staff is, was very cooperative in meeting with us and providing us information. So, when we went through the invoices, in most cases the invoice did always recognize or did communicate the work that was completed for that period. Additionally, Trenton and Jeff met with us as well to identify the work. So basically, at this point they had communicated about 30% of the design development and 30% of the price schedule development has completed. The goal is, again, to take this unit through the 60%. As you can kind of see here, the major items that have been completed as it relates to site analysis, some of the architectural, some of the structure, to date none of the major equipment has been purchased. Again, most of this relates to the planning as well as the modeling for the design facility.

The second piece, which a lot of times people forget, there is the expense related to the cost of issuance or cost of borrowing. So, as I mentioned a few minutes ago, $8,000,000 in total financing for the project to date that's cost about $223,000 in expenses for the issuance of the debt. Professional services again, that's your fees for your bond counsel, your financial advisors, the other administrative expenses. A lot of these are required by State of Kansas, whether it's for registration fees or for filing fees with the Attorney General, the Treasurer, the Secretary of State. The largest item in here represents, underneath the administrative fees, the monies for a shared guarantee. They were your bond insurer from the '21 bonds. The bonds were rated so proportionately a portion of the '21 bonds, the rating agency fees are assessed, and then finally the underwriting fees and then on the last or the biggest item represents DTC. That's the payoff of the temporary notes, the balance of the temporary notes when you issued the bonds.

What's important is again against the bonds themselves that were issued, again about $4 million. To date you have paid about $311,000 in both principal interests, with the most recent payment being on February 1st. Just some observations, I think this is important so kind of summarizing. What's the investment to date? So, we talked about the $4.3 million in total expenditures, again, for the various planning and engineering work, the cost of issuance, the $311,000 in principal and interest, as well as, you know, there is a commitment for the payment of the bonds. So about $4.8 million in the payment and the repayment of the bonds. So altogether that comes over $9.6 million. An item we were unable to quantify had to deal with the amount of staff time or the amount of your own labor that's being put into the project. Today, the staff does not track their time spent on various capital improvement projects or initiatives. It is a recommendation that we cited moving forward that initiatives like this or major capital projects, there should be a way for them to be able to record their time against the project. But I think what's important from our observations here is being able to track the time, as well as you know, providing an updated cash flow. In fact, Finance had indicated to us they had not seen an updated cash flow since late 2021 for this project. So, again, your investment to date about $9.6 million.

So, any questions as it relates to the project itself and the spending that has occurred to date?

Commissioner Markley said I actually don't have a question, but I'm just getting notification that the YouTube for this meeting says it's waiting on the UG, so I don't know who can help with that, but I'll just put that out there and then I'll let Commissioner Bynum move on with her questions.

Chairman Bynum said thank you for letting us know we have a technical issue. I appreciate that. I need to go back to my big packet that was from ED&F, its page 14 and well, right here's fine. So, I need to understand better than I do right now, CMIP projects expenses as of 12/31/2022, you've got 4.3, right? And then you have future P&I on existing GO Bonds. So, the $4.8 million again, in '21 you issued $4 million for the project, for a million in GO debt. **Ms. Zielke** said so, moving forward you've paid $311,000 on principal and interest, and then the remainder of what's due is $4.8 million. **Chairman Bynum** said okay, and that's where I'm just getting stuck. I see that you—in parenthesis you say August, 2041. I just need help. I just can't get from a current spend of $4.3 to $9.6. **Ms. Zielke** said the $4.3 was for the various contractors for HDR, Black & Veatch, you know, UG Water Partners, again for the planning work. The $311,000 that represents the principal and interest that you've already paid. **Chairman Bynum** said okay. **Ms. Zielke** said the $4.9 million represents everything else on the chart here. That's not—that's in white. So, the fact that you've already issued bonds for this project and that represents the principal interest outstanding on this bond issue. **Chairman Bynum** said when you say 9.6, it's because we've issued the bonds. **Ms. Zielke** said correct. **Chairman Bynum** said and you are factoring in over the life of those bonds the principal and the interest. **Ms. Zielke** said right. **Chairman Bynum** said okay.

Ms. Zielke said interesting enough and like I said, 8.4 got in cash. You've spent, you know, the $4.3, which means you have $3.6 billion in the Treasury today in the project, as it relates to cash you have on hand for the project.

Historical Changes to Biosolids CMIP Projection Estimates

Public Works provided on February 2, 2023, the following revised Biosolids CMIP projections

Historical Summary of Biosolids CMIP Project Costs from 2012 Masterplan to Current UG Partners Cost Estimate of 2022

	{A}	{B}	{C}	{D}	{E}	{F}	{G}
		2012 Masterplan	*2018 BV Report* [5]	*ESG-2021*	*UGW-2022*	*Delta 2021 to 2022*	% Increase
	Project/Estimate Overview	Only New Dewatering to Landfill Sludge - No Digesters	Rehab of Existing Digester Tanks, Biogas into Pipeline	New Digesters, Biogas into Pipeline	New Digesters, Biogas into Pipeline	Comparison of Column {D} to {E}	
{1}	ESG Phase 1 Contract per RFP	NA	NA	$ 2,926,343	NA		
{2}	ESG Amendments Approved	NA	NA	$ 179,047	NA		
{3}	ESG Actual	NA	NA	NA	$ 2,185,530	$ (919,860)	
{4}	**ESG Total for Phase 1**[1]	**NA**	**NA**	**$ 3,105,390**	**$ 2,185,530**	**$ (919,860)**	
{5}	Burns & McDonnell Check ESG Estimate	NA	NA	NA	$ 52,963	$ 52,963	
{6}	UGW Phase 1	NA	NA	NA	$ 3,692,000	$ 3,692,000	
{7}	Owners Rep	NA	NA	$ 2,000,000	$ 2,000,000	$ -	
{8}	**Subtotal Phase 1 and Owners Rep**	**NA**	**NA**	**$ 5,105,390**	**$ 7,930,493**	**$ 2,825,103**	**55%**
{9}	Direct Construction Costs	NA	NA	$ 60,832,382	$ 75,629,811	$ 14,797,429	
{10}	Markups	NA	NA	$ 13,792,599	$ 11,703,022	$ (2,089,577)	
{11}	**Subtotal Construction Costs**	**$ 4,300,000**	**$ 70,600,000**	**$ 74,624,981**	**$ 87,332,833**	**$ 12,707,852**	**17%**
{12}	Gas Interconnect Allowance[2]	NA	NA	$ 1,000,000	$ 2,000,000	$ 1,000,000	
{13}	**Total Construction Cost**	**$ 4,300,000**	**$ 70,600,000**	**$ 75,624,981**	**$ 89,332,833**	**$ 13,707,852**	**18%**
{14}	Additional Contingency[3]	NA	NA	$ -	$ 2,736,673	$ 2,736,673	
{15}	Total Project Cost	$ 4,300,000	$ 70,600,000	$ 80,730,371	$ 100,000,000	$ 19,269,629	24%

Preliminary Draft Report – As of Feb. 13 26 ALVAREZ & MARSAL

As shown on This table I mean this is something that the Commission had asked us to also be able to fact base for you, and it has to deal with the increases, the increases in the project. And again, this is on slide 26. I've shown it initially on the project--the first part of the master plan, a very high-level estimate was 4.3. In 2018 when Black and Veach issued this kind of preliminary report, the estimate went to $70,000,000. Most recently and in '21 when ESG put their estimate together that increased to $80,000,000 and then most currently based on the UG Water Partners estimate that's gone up to a $100 million. So, what I thought it was important to do was be able to provide to you, as an explanation of how do we get from $4 million to $100,000,000, so first from the 2012 Master Plan to the '18 Black and Veach report going from $4 million to $70,000,000 again, the master plan did not contemplate or estimate any future digestor capabilities. Secondly, the '18 study then included $67,000,000 for cost option. That was not in the original Black and Veach, you know kind of preliminary planning number as well as the issue—the requirement to be for the built in or being able to address the consent decree requirements. From '18 to '21 you are basically going from $70--$80,000,000—you know part of this had to deal with the assumption that the existing digestor was going to be able to be rehabilitated and be able to be reused. Secondly, there is also the assumption built in that KCMO would be joining the project as well. As we know, between '18 and the '21 Kansas City, Missouri has backed out of that kind of participating in the project as well as the issue came up that the existing digestors were not going to be able to be rehabbed, so additional costs related to that.

So, I think most important, I've heard from the Commission is, okay, then how do we get from $80 to $100,000,000.   I try to put this in in a table format.

Year by Year Projection Variances– Discussion of Differences

Public Works provided on February 2, 2023, the following revised Biosolids CMIP projections

Breakdown of difference between ESG-2021($80.7M) and UGW-2022 ($100M)	
Amounts	**Public Works Discussion & Explanation of Projection Increases**
$ 2,825,104	Increased costs for Phase 1 work including change from ESG to UGW
$ 12,707,852	Increase in Construction Costs including markups (17%) Additionally, the ESG-2021 estimate had gaps in the defined scope and post-pandemic market volatility not included in the documented costs which imapcts the increases to the 2022 cost estimate
$ 1,000,000	Increased allowance for Gas Pipeline Connection
$ 2,736,673	Added Contingency Reserve
$ 19,269,629	**Total Change from ESG-2021 to UGW-2022**

Observations & Findings

- Markups include the proposed team's cost information that is provided, which includes the fixed -fee work associated with Phase 1 as well as a percentage fee for the Phase 2 services. The percentage fee for Phase 2 work is what is considered a "markup"
- Current construction inflationary industry reports reflect inflationary increases averaging 16.5% from 2021 to 2022 and between 10% and 11% during 2023 and 2024
- CMIP projections do not include any allowance includes for potential costs for Temporary Note and future G.O. Bond or Kansas State Revolving Loan issuance costs

Preliminary Draft Report – As of Feb. 13 29 ALVAREZ & MARSAL

Again, thanks for Public Works in providing the data. You know the first piece had to deal with moving to the new design build contractor. It was an increase of over $2 million by moving from EESG to UG Water Partners. Secondly, inflation, just the cost of inflation as well as expanding the scope of using the pipeline as well. Inflation, we also tried to fact base this as well. What we found is that during this period of time even though inflation has increased, In fact from ‘20 to ‘21 we saw from our industry experts, we'd seen again for similar types of projects inflation would actually went up almost 17% or 16.5% and the forecast for ‘23 and ‘24, again, for similar type of construction of sewer projects is also supposed to see double digit inflation of 10 to 11%.

So again, 17% or $12 million is related to the increase in construction costs from inflation, as well as a better defined scope of the project itself. Secondly, there's an amount that's been built in for an allowance for the gas line pipeline that was initially not in the proposal, as well as added monies for a contingency reserve for unknowns. So, in total that's a little bit over $19 million, again, how we got from $80 million to $100 million.

Future Annual Kaw Point Wastewater Treatment Plant Operating Costs Projections

Upon completion of the Biosolids CMIP construction, Public Works projects operating cost reductions/avoidance and New System Revenue Sources

Kaw Point Wastewater Facility Operating & Maintenance Costs (Provided by Public Works - Water Pollution Control)			
			Annual Costs
Current Operations & Maintenance Costs *(Includes 20% costs to related to Maintenance Group)*			$ 5,465,000
Operating Cost Increases/Decreases/Avoidance			$ (400,000)
	Reduced Disposal Costs	$ (600,000)	
	Reduced Chemical Costs	$ (800,000)	
	Added O&M Costs of New Facility Improvements	$ 1,000,000	
Revised Estimated Kaw Point Wastewater Facility Operating Costs			**$ 5,065,000**
New Enterprise System Revenue Sources			**$ 2,000,000**
	Waste Hauled Tipping Fees	$ 750,000	
	Biogas Sales	$ 1,250,000	

Observations & Findings

Per Public Work responses:

- FY 22 Actuals show that current Operations & Maintenance inclusive of 20% of the Kaw Point Maintenance group) are estimated $5,465,000 per year
- The new facility will have a new operating reduction of $400,000 annually
- Sales from Waste Hauling Tipping Fees and Biogas Sales are estimated to generate $2.0 million annually

A&M has not been able to verify/validate the revenue source assumptions

Preliminary Draft Report – As of Feb. 13 30 ALVAREZ & MARSAL

Operating Costs: So one of the things that we thought would be important would be for the Commission to also understand what's the operating impact in the future. Based on fiscal year ‘22 Actuals, staff is estimating that the operating cost of the facility today is at $5.4 million. $4.8 million of that represents actual operating costs and about 20% of the maintenance costs, which you know represents about $400,000, is related to that, so estimated operating costs today of $4.4—changes are kind of net reductions. First of all, there's anticipated reduced disposal cost; meaning not having to do the tipping costs or the hauling costs of sludge, no longer to the landfill as well as reduce chemical cost. So, again, reduced operating costs there of $1.4. At the same time there's going to be increased costs, so approximately one million dollars in increased costs, again, to run the new dryers as well as other operating costs, so net reduction operating costs of $400,000. So, it makes the future operating costs of about $5 million.

At the same time there's going to be new revenues coming in to the system as well. Revenues from the sale of byproducts and the sale of gas itself. This is an area that we're still trying to do some additional review and analysis on as well.

Sources of Monies for CMIP Biosolids Project

The Revised current 2022 projection for the construction of the planned improvements for the Kaw Point Biosolids facility is estimated at $100 million

Summary of Biosolids CMIP Revised Proposed Sources of Monies		
Sources of Monies - $100,000,000 (2022 Cost Estimate)		
Federal Grants		
2022 Congressional Approved EPA Grant	$	2,000,000
Proposed USDA Grant (Submitted January 2022)	$	22,300,000
US Treasury Tax Credits	$	27,000,000
Long-Term Financing - General Obligation Bonds & State Loan Programs		
General Obligations Bonds and State of Kansas Department of Health State Revolving Loan Program	$	48,700,000
Total Current CMIP Project Projections	**$**	**100,000,000**

Summary of Cash-Flow Timeline - $100,000,000 CMIP Revised Projection		
2018-2022	$	4,500,000
2023 January to July	$	4,000,000
2023 August to December	$	12,000,000
2024 January to 2025 June	$	66,500,000
2025 July to December	$	13,000,000
Total Current CMIP Project Projections Cash-Flow Timeline	**$**	**100,000,000**

Observations & Findings

- The UG should conduct further analysis of the use of Inflation Reduction Act of 2022 (the Act), which extends and expands existing tax credits and adds several new energy tax credits to encourage the production of clean energy and reduce carbon emissions.
- The 2022 Act amended Section 48(a)(3) to include ***additional categories of energy property, one of which is "qualified biogas property"***
- ***Further analysis and fiscal impact to the Biosolids Project is needed***

Preliminary Draft Report – As of Feb. 13 32 ALVAREZ & MARSAL

We also thought it's important to take a look as it relates to the sources of monies. So, in the two scenarios that—the staff provided us three different scenarios, but the scenario that I believe is that maybe the Commission has seen, has to deal with three external funding sources as well as the issuance of additional debt. First of all, there was a $2 million EPA grant that was approved in the Congressional Act November, December that has been approved, most recently in January of '23—sorry, in '22. Public Works submitted a grant for $22.3 million to USDA for funding of the project as well as here's potential dollars available from treasury tax cuts. This is an area that I really feel there needs to be additional analysis and input of how the tax credits are going to work, how they're going to flow back through the construction contractors. You know the act was passed last fall with a lot of the regulations still being developed, but you know with the assumption of the $27 million that would mean that the Unified Government would have to issue an additional $48.7 million in GO debt. This is being funded from GO but; however, the sewer system user rates are actually paying for any debt that's issued for this project.

Assessment & Analysis of Revenue Assumptions

Revenue Assumption Analysis is currently under review

Observations & Findings

- *Public Works is waiting for information from UG Water Partners on the provided Revenue Assumption Model*

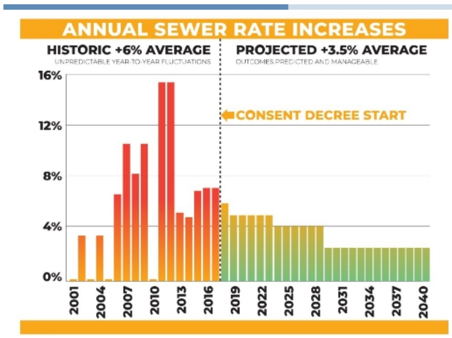
This section is still under review and development

To be finalized by February 16 or before

Preliminary Draft Report – As of Feb. 13 33 ALVAREZ & MARSAL

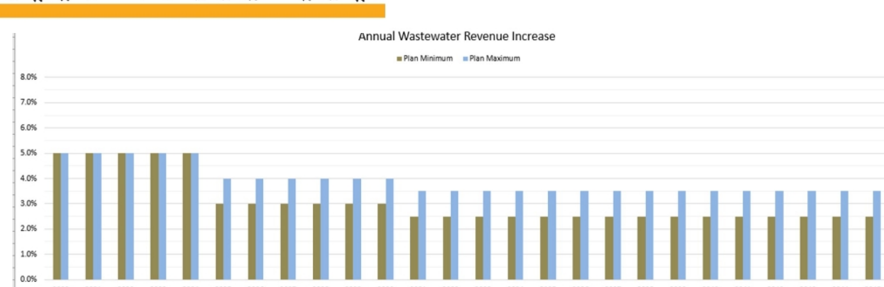
As I mentioned a few moments ago, we're still doing the further review of the revenue assumption, so we'll be able to again better understand those on your behalf.

Projected Existing Sewer Rate Increases



Observation & Findings:

- The UG Public Works Director's Annual Report reflected the Sewer Rate increase projected at average of 3.5%



Preliminary Draft Report – As of Feb. 13 35 ALVAREZ & MARSAL

So what does this mean to the sewer rates? When the Unified Government passed the Consent Decree in 2020 there was a commitment that future improvements were going to be made not only to your storm sewer system, but also your sanitary sewer system. So, as shown in the top left-hand corner, it's kind of the planned sewer rate increases averaging about 3.5%. As you know in ‘22 and ‘23 that was a 5% increase that has been approved. It goes down to 4% planned. But again, each year the Unified Government approves those rate increases. Again, this just kind of shows the virtual prediction here.

Preliminary Impact of Biosolids CMIP Debt Service to Sewer Rates

The table below reflects the incremental increase (blue shaded columns) from the issuance of $48.7 million bond financing

Unified Government of Wyandotte County / Kansas City, Kansas
Kaw Point Biosolids- Scenario 1 - $100,000,000 Projection Needs

ASSUMPTIONS

USDA Grant	22,300,000	Bond Type	GO Bond	Bond 1	Actual DS Schedule
Earmark	2,000,000	Amortization	20 years	Bonds 2-4	Estimated DS Schedule based off provided cashflows & interest rates ranging 4%-5%
Tax Credit	27,000,000	Rate Increase %	As determined by the Unified Government's Consent Decree with the EPA and DOJ, rates will increase annually regardless of the Biosolids project	Customers	Based on 2022, 10 month Avg with a factor of .5% growth
G.O. Financing	48,700,000			CCF	Based on 2022 10 month Avg no increase factored

Year	Payment	Tax Credit	Monthly Base Charge	CCF Charge	Rate Increase %
2022	$ 255,492.19	-	$ 22.39	$ 5.06	5.0%
2023	$ 256,374.86	-	$ 23.51	$ 5.31	5.0%
2024	$ 256,468.38	-	$ 24.45	$ 5.53	4.0%
2025	$2,432,690.60	-	$ 25.43	$ 5.75	4.0%
2026	$3,666,804.02	1,350,000	$ 26.44	$ 5.98	4.0%
2027	$3,673,865.14	1,350,000	$ 27.50	$ 6.22	4.0%
2028	$3,670,476.70	1,350,000	$ 28.60	$ 6.46	4.0%
2029	$3,669,273.46	1,350,000	$ 29.75	$ 6.72	4.0%
2030	$3,669,958.66	1,350,000	$ 30.79	$ 6.96	3.5%
2031	$3,669,897.54	1,350,000	$ 31.87	$ 7.20	3.5%
2032	$3,671,224.86	1,350,000	$ 32.98	$ 7.45	3.5%
2033	$3,672,474.86	1,350,000	$ 34.14	$ 7.71	3.5%
2034	$3,667,976.70	1,350,000	$ 35.33	$ 7.98	3.5%
2035	$3,668,677.40	1,350,000	$ 36.57	$ 8.26	3.5%
2036	$3,673,134.58	1,350,000	$ 37.85	$ 8.55	3.5%
2037	$3,673,698.24	1,350,000	$ 39.17	$ 8.85	3.5%
2038	$3,670,080.50	1,350,000	$ 40.54	$ 9.16	3.5%
2039	$3,672,563.42	1,350,000	$ 41.96	$ 9.48	3.5%
2040	$3,665,746.96	1,350,000	$ 43.43	$ 9.81	3.5%
2041	$3,670,694.74	1,350,000	$ 44.95	$ 10.16	3.5%
2042	$3,414,900.00	1,350,000	$ 46.52	$ 10.51	3.5%
2043	$3,415,300.00	1,350,000	$ 48.15	$ 10.88	3.5%
2044	$3,410,900.00	1,350,000	$ 49.84	$ 11.26	3.5%
2045	$1,239,087.50	1,350,000	$ 51.58	$ 11.66	3.5%
2046	$ -		$ 53.39	$ 12.06	3.5%

Year	Residential Avg CCF	Avg Bill	Customers	Base Rev	% of Bill	Cost
2022	5.35	$ 49.46	42821	$ 25,415,001.20	0.56%	$ 0.28
2023	5.35	$ 51.93	43035	$ 26,819,180.01	0.54%	$ 0.28
2024	5.35	$ 54.01	43250	$ 28,031,406.95	0.51%	$ 0.28
2025	5.35	$ 56.17	43467	$ 29,298,426.54	4.65%	$ 2.61
2026	5.35	$ 58.42	43684	$ 30,622,715.42	4.24%	$ 2.48
2027	5.35	$ 60.75	43902	$ 32,006,862.16	4.07%	$ 2.47
2028	5.35	$ 63.18	44122	$ 33,453,572.33	3.89%	$ 2.45
2029	5.35	$ 65.71	44342	$ 34,965,673.80	3.72%	$ 2.44
2030	5.35	$ 68.01	44564	$ 36,370,419.74	3.57%	$ 2.43
2031	5.35	$ 70.39	44787	$ 37,831,601.36	3.43%	$ 2.42
2032	5.35	$ 72.86	45011	$ 39,351,485.94	3.30%	$ 2.41
2033	5.35	$ 75.41	45236	$ 40,932,431.89	3.18%	$ 2.40
2034	5.35	$ 78.04	45462	$ 42,576,892.34	3.05%	$ 2.38
2035	5.35	$ 80.78	45689	$ 44,287,418.99	2.93%	$ 2.37
2036	5.35	$ 83.60	45918	$ 46,066,666.05	2.82%	$ 2.36
2037	5.35	$ 86.53	46147	$ 47,917,394.35	2.72%	$ 2.35
2038	5.35	$ 89.56	46378	$ 49,842,475.67	2.61%	$ 2.34
2039	5.35	$ 92.69	46610	$ 51,844,897.13	2.51%	$ 2.33
2040	5.35	$ 95.94	46843	$ 53,927,765.88	2.41%	$ 2.31
2041	5.35	$ 99.29	47077	$ 56,094,313.87	2.32%	$ 2.30
2042	5.35	$ 102.77	47313	$ 58,347,902.93	1.98%	$ 2.04
2043	5.35	$ 106.37	47549	$ 60,692,029.93	1.91%	$ 2.03
2044	5.35	$ 110.09	47787	$ 63,130,332.23	1.83%	$ 2.01
2045	5.35	$ 113.94	48026	$ 65,666,593.33	-0.09%	$ (0.11)
2046	5.35	$ 117.93	48266	$ 68,304,748.72	0.00%	$ -

Year	Non-Residential Avg CCF	Avg Bill	Customers	Base Rev	% of Bill	Cost
2022	82.32	$ 438.95	3789	$19,958,250.74	0.56%	$ 2.47
2023	82.32	$ 460.90	3808	$21,060,944.09	0.54%	$ 2.47
2024	82.32	$ 479.34	3827	$22,012,898.77	0.51%	$ 2.46
2025	82.32	$ 498.51	3846	$23,007,881.79	4.65%	$ 23.18
2026	82.32	$ 518.45	3865	$24,047,838.05	4.24%	$ 21.97
2027	82.32	$ 539.19	3885	$25,134,800.33	4.07%	$ 21.93
2028	82.32	$ 560.75	3904	$26,270,893.30	3.89%	$ 21.79
2029	82.32	$ 583.18	3924	$27,458,337.68	3.72%	$ 21.67
2030	82.32	$ 603.60	3943	$28,561,476.40	3.57%	$ 21.57
2031	82.32	$ 624.72	3963	$29,708,933.71	3.43%	$ 21.46
2032	82.32	$ 646.59	3983	$30,902,490.12	3.30%	$ 21.36
2033	82.32	$ 669.22	4003	$32,143,997.66	3.18%	$ 21.27
2034	82.32	$ 692.64	4023	$33,435,382.77	3.05%	$ 21.12
2035	82.32	$ 716.88	4043	$34,778,649.27	2.93%	$ 21.02
2036	82.32	$ 741.97	4063	$36,175,881.51	2.82%	$ 20.96
2037	82.32	$ 767.94	4083	$37,629,247.55	2.72%	$ 20.86
2038	82.32	$ 794.82	4104	$39,141,002.57	2.61%	$ 20.72
2039	82.32	$ 822.64	4124	$40,713,492.34	2.51%	$ 20.64
2040	82.32	$ 851.43	4145	$42,349,156.90	2.41%	$ 20.48
2041	82.32	$ 881.23	4166	$44,050,534.28	2.32%	$ 20.42
2042	82.32	$ 912.07	4186	$45,820,264.49	1.98%	$ 18.08
2043	82.32	$ 944.00	4207	$47,661,093.62	1.91%	$ 17.99
2044	82.32	$ 977.04	4228	$49,575,878.05	1.83%	$ 17.87
2045	82.32	$ 1,011.23	4250	$51,567,588.96	-0.09%	$ (0.96)
2046	82.32	$ 1,046.63	4271	$53,639,316.84	0.00%	$ -

Observations & Findings:

- *The incremental cost component to the average customer bill for this scenario ($48.70 million in G.O. Bonds) could increase and/or decrease if no Grant Funds and/or Tax Credits are available*

Preliminary Draft Report – As of Feb. 13 36 ALVAREZ & MARSAL

So again this is really difficult to see. In your packet this is on page 37. So, the compliment shaded in green represents kind of the planned sewer rate increases at this point. As you can see the 5%, 5%, 4 and kind of going down to 3% . So what we did is we, again, this is based on Public Works model, we looked at the impact as if you had issued the $48 million in debt, then we also looked at, I would say the worst case scenario, and the fact that the grants are not available or the tax credits would not be available. As you can see that the shaded blue columns here or purple columns represent what portion of the existing planned sewer rates that those month—that the debt would include. So as you can see here, in like 2025 it represents about, if I can read that far, over $5 of the monthly sewer rate bill would be used to fund the debt and as you can see on the right-hand side would show the impact for the non-residential customers. So the first illustration here on page 36 represents if you had borrowed the $48 million…

Preliminary Impact of Biosolids CMIP Debt Service to Sewer Rates

The table below reflects the incremental increase (blue shaded columns) with $100 million in project costs being G.O. Bond financed

Unified Government of Wyandotte County / Kansas City,
Kaw Point Biosolids- Scenario 2

ASSUMPTIONS

USDA Grant	$ -	Bond Type	GO Bond	Bond 1	Actual DS Schedule
Earmark	$ -	Amortization	20 years	Bonds 2-4	Estimated DS Schedule based off provided cashflows & interest rates ranging 4%-5%
Tax Credit	$ -	Rate Increase %	As determined by the Unified Government's Consent Decree with the EPA and DOJ, rates will increase annually regardless of the Biosolids	Customers	Based on 2022, 10 month Avg with a factor of .5% growth
G.O. Debt	$ 100,000,000			CCF	Based on 2022 10 month Avg no increase factored

Year	Payment	Tax Credit	Monthly Base Charge	CCF Charge	Rate Increase %	Residential Avg CCF	Avg Bill	Customers	Base Rev	% of Bill	Cost
2022	$ 255,492.19	-	$ 22.39	$ 5.06	5.0%	5.35	$ 49.46	42821	$ 25,415,001.20	0.56%	$ 0.28
2023	$ 256,374.86	-	$ 23.51	$ 5.31	5.0%	5.35	$ 51.93	43035	$ 26,819,180.01	0.54%	$ 0.28
2024	$ 256,468.38	-	$ 24.45	$ 5.53	4.0%	5.35	$ 54.01	43250	$ 28,031,406.95	0.51%	$ 0.28
2025	$2,432,690.60	-	$ 25.43	$ 5.75	4.0%	5.35	$ 56.17	43467	$ 29,298,426.54	4.65%	$ 2.61
2026	$5,791,847.77	-	$ 26.44	$ 5.98	4.0%	5.35	$ 58.42	43684	$ 30,622,715.42	10.59%	$ 6.19
2027	$7,588,565.14	-	$ 27.50	$ 6.22	4.0%	5.35	$ 60.75	43902	$ 32,006,862.16	13.28%	$ 8.07
2028	$7,591,176.70	-	$ 28.60	$ 6.46	4.0%	5.35	$ 63.18	44122	$ 33,453,572.33	12.71%	$ 8.03
2029	$7,586,473.46	-	$ 29.75	$ 6.72	4.0%	5.35	$ 65.71	44342	$ 34,965,673.80	12.15%	$ 7.99
2030	$7,589,408.66	-	$ 30.79	$ 6.96	3.5%	5.35	$ 68.01	44564	$ 36,370,419.74	11.69%	$ 7.95
2031	$7,586,847.54	-	$ 31.87	$ 7.20	3.5%	5.35	$ 70.39	44787	$ 37,831,601.36	11.23%	$ 7.91
2032	$7,590,924.86	-	$ 32.98	$ 7.45	3.5%	5.35	$ 72.86	45011	$ 39,351,485.94	10.80%	$ 7.87
2033	$7,589,674.86	-	$ 34.14	$ 7.71	3.5%	5.35	$ 75.41	45236	$ 40,932,431.89	10.39%	$ 7.83
2034	$7,582,426.70	-	$ 35.33	$ 7.98	3.5%	5.35	$ 78.04	45462	$ 42,576,892.34	9.98%	$ 7.79
2035	$7,589,877.40	-	$ 36.57	$ 8.26	3.5%	5.35	$ 80.78	45689	$ 44,287,418.99	9.60%	$ 7.75
2036	$7,588,634.58	-	$ 37.85	$ 8.55	3.5%	5.35	$ 83.60	45918	$ 46,066,666.05	9.23%	$ 7.71
2037	$7,590,398.24	-	$ 39.17	$ 8.85	3.5%	5.35	$ 86.53	46147	$ 47,917,394.35	8.87%	$ 7.68
2038	$7,583,780.50	-	$ 40.54	$ 9.16	3.5%	5.35	$ 89.56	46378	$ 49,842,475.67	8.52%	$ 7.63
2039	$7,589,063.42	-	$ 41.96	$ 9.48	3.5%	5.35	$ 92.69	46610	$ 51,844,897.13	8.20%	$ 7.60
2040	$7,580,446.96	-	$ 43.43	$ 9.81	3.5%	5.35	$ 95.94	46843	$ 53,927,765.88	7.87%	$ 7.55
2041	$7,588,994.74	-	$ 44.95	$ 10.16	3.5%	5.35	$ 99.29	47077	$ 56,094,313.87	7.58%	$ 7.52
2042	$7,336,800.00	-	$ 46.52	$ 10.51	3.5%	5.35	$ 102.77	47313	$ 58,347,902.93	7.04%	$ 7.24
2043	$7,330,600.00	-	$ 48.15	$ 10.88	3.5%	5.35	$ 106.37	47549	$ 60,692,029.93	6.77%	$ 7.20
2044	$7,334,600.00	-	$ 49.84	$ 11.26	3.5%	5.35	$ 110.09	47787	$ 63,130,332.23	6.51%	$ 7.16
2045	$5,150,387.50	-	$ 51.58	$ 11.66	3.5%	5.35	$ 113.94	48026	$ 65,666,593.33	4.39%	$ 5.01
2046	$1,796,156.25		$ 53.39	$ 12.06	3.5%	5.35	$ 117.93	48266	$ 68,304,748.72	1.47%	$ 1.74

Year	Non-Residential Avg CCF	Avg Bill	Customers	Base Rev	% of Bill	Cost
2022	82.32	$ 438.95	3789	$19,958,250.74	0.56%	$ 2.47
2023	82.32	$ 460.90	3808	$21,060,944.09	0.54%	$ 2.47
2024	82.32	$ 479.34	3827	$22,012,898.77	0.51%	$ 2.46
2025	82.32	$ 498.51	3846	$23,007,881.79	4.65%	$ 23.18
2026	82.32	$ 518.45	3865	$24,047,838.05	10.59%	$ 54.92
2027	82.32	$ 539.19	3885	$25,134,800.33	13.28%	$ 71.61
2028	82.32	$ 560.75	3904	$26,270,893.30	12.71%	$ 71.27
2029	82.32	$ 583.18	3924	$27,458,337.68	12.15%	$ 70.88
2030	82.32	$ 603.60	3943	$28,561,476.40	11.69%	$ 70.55
2031	82.32	$ 624.72	3963	$29,708,933.71	11.23%	$ 70.18
2032	82.32	$ 646.59	3983	$30,902,490.12	10.80%	$ 69.86
2033	82.32	$ 669.22	4003	$32,143,997.66	10.39%	$ 69.50
2034	82.32	$ 692.64	4023	$33,435,382.77	9.98%	$ 69.09
2035	82.32	$ 716.88	4043	$34,778,649.27	9.60%	$ 68.82
2036	82.32	$ 741.97	4063	$36,175,881.51	9.23%	$ 68.46
2037	82.32	$ 767.94	4083	$37,629,247.55	8.87%	$ 68.14
2038	82.32	$ 794.82	4104	$39,141,002.57	8.52%	$ 67.74
2039	82.32	$ 822.64	4124	$40,713,492.34	8.20%	$ 67.45
2040	82.32	$ 851.43	4145	$42,349,156.90	7.87%	$ 67.04
2041	82.32	$ 881.23	4166	$44,050,534.28	7.58%	$ 66.78
2042	82.32	$ 912.07	4186	$45,820,264.49	7.04%	$ 64.24
2043	82.32	$ 944.00	4207	$47,661,093.62	6.77%	$ 63.87
2044	82.32	$ 977.04	4228	$49,575,878.05	6.51%	$ 63.58
2045	82.32	$ 1,011.23	4250	$51,567,588.96	4.39%	$ 44.43
2046	82.32	$ 1,046.63	4271	$53,639,316.84	1.47%	$ 15.42

Preliminary Draft Report – As of Feb. 13 37 ALVAREZ & MARSAL

and the second illustration on page 37 represents if you have to borrow the full amount or the additional $92 million in debt.

Preliminary Impact of Biosolids CMIP Debt Service to Sewer Rates

Observations & Findings:

- No added rate increases would be required above what is already planned and previously discussed with the County Commission
- The Unified Government's Public Works does not recommend the Kaw Point Biosolids CMIP project if the associated costs mean the following:
  - Rates would need to be higher than what was approved by the County Commission
  - Rates would need to be higher than the rates reflected in the previous tables
  - The project costs require changes to the Unified Government's planned obligations under the consent decree that would hinder the Unified Government's ability to meet the outlined obligations without amendments to the consent decree

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So, what does this really mean? What did we find? As we talked with Public Works is the fact that no added rate increase would be required above what is already planned. The existing rates that have been proposed would cover the debt service for either the $48 million or up to the $100 million. At the same time, as in talking with Public Works, there's also some concern about the project as well, that if the rates would go above what's planned, there's concern as it relates to moving that forward, rates would be higher. There's also concern if the project would be moving it forward if additional rate increases would be needed.

Return on Investment Analysis

Preliminary Draft Report – As of Feb. 13 39 ALVAREZ & MARSAL

Value of Current Kaw Point Treatment Plant

The UG was unable to provide the original construction value and the asset value of the Kaw Point Wastewater Treatment Plant built in the 1960's

Observations & Findings

- Neither Public Works or Finance were able to report the original construction cost the treatment facility.
- The UG should be able to report this from prior GO and/or Sewer Enterprise Revenue bond issuance offering statements and authorizing ordinances for the issuances of the debt statements and/or authorizing ordinances for the issuances of the original facility construction debt.

Unified Government Combined Treatment Plant Asset Values		
Structures & Improvements		
Treatment Plant	$	79,500,000
Less - Accumulated Asset & Depreciation	$	(61,300,000)
Book Value of Treatment Plant Assets	$	18,200,000
Equipment		
Treatment Plant	$	18,800,000
Less - Accumulated Asset & Depreciation	$	(17,000,000)
Book Value of Treatment Plant Equipment	$	1,800,000

- The UG was unable to report the current Asset Value of the Kaw Point Treatment Facility due to the assets being combined in the balance sheet
  - All improvements and equipment that are capitalized are added to an asset line and depreciated
  - Treatment Plant Structures & Improvements are depreciated over 50 years
  - Treatment Plan Equipment is depreciated over 20 years
- Capital improvement projects for the sanitary sewer system are financed as GO Revenue bonds with a payment for the bonds coming from the Sewer Enterprise Fund versus being issued as Sewer Enterprise Revenue Bonds.

Preliminary Draft Report – As of Feb. 13 40 ALVAREZ & MARSAL

Return Investment Analysis: First of all we were trying to quantify again based comparing the new investment of $100 million back against the original investment of the project. Due to the age, again, this facility was built in the 1960s. It was built with sewer revenue bonds, it was also built with various federal grants. Staff was unable to really quantify or determine what was the original construction value. On your books at the same time on your financial statements you have a consolidated asset value for all of your sewer treatment plants and not specifically for Kaw Point. So, as you can see here, there's a book value, again, for your three treatment plants, together a book value of $18.2 million and Equipment of $1.8 million. This is something in the future we would advocate that you should try to segregate out the assets for the three facilities separately, and account for those separately on your financial statements, especially as you're issuing additional debt in the future.

Return on Investment Analysis

This section is still under review and development

To be finalized by February 16 or before

Preliminary Draft Report – As of Feb. 13 41 ALVAREZ & MARSAL

Return On Investment: What we're looking at is calculating—again based on the estimated revenues that this project would generate whether it's from biosolids or the gas, comparing that to your actual investment that you're making, they're going to do a present value calculation. So as soon as we can quantify and get comfortable with the revenue estimates, we'll have that updated for the Commission as well.

UG Alternative Proposal Analysis

Observations & Findings

- The Unified Government received an unsolicited proposal from Element Carbon (E3) in 2017. The alternative proposal the Unified Government received from Element Carbon (E3) did not have an associated value. This is due to conversations with the potential vendor not materializing to the point of financial discussions.
- A biosolids dryer was considered in the 2012 Black & Veatch Masterplan, as well as part of the BioChar technology package presented by Element Carbon in 2017. As a result, the UG team collected data from recent sludge dryer installations in an attempt to understand basic project cost information.
- The total project costs for the projects reviewed were approximately 3x the cost of the dryer equipment alone.
- During the Summer of 2022, Superior Summit approached the UG about an alternative proposal to reduce the capital investment costs and generate additional revenues
- No further analysis and information was shared due to the proprietary nature of the Superior Summit models and need for the Unified Government to sign a Non -Disclosure Agreement to proceed.
- The Unified Government team's ability to complete an analysis of Superior Summit's potential solution relies upon the level of information/details provided.
- Based upon known loading data at Kaw Point Wastewater Treatment Plant, the team reviewed the comparable projects along with input from manufacturers/vendors to estimate a $30M cost for the appropriate dryer equipment.

Preliminary Draft Report – As of Feb. 13 43 ALVAREZ & MARSAL

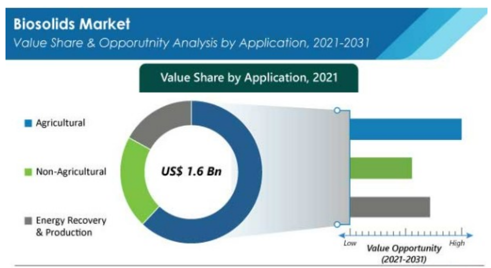
Alternative Proposals: I know the Commission heard a presentation in September as well as in October of various alternative proposals. In '17 an unsolicited proposal had come to Public Works from a firm called Element Carbon. There was initial discussion; however, there was no final associated value with that proposal. In fact, part of this had to deal with kind of the lack of kind of financial discussions and moving that project forward. Secondly, most recently I think in September, a firm by the name of Superior Summit also approached the Unified Government about alternative proposal. That proposal was never quantified either. There was additional information that was requested from the developer as well as a request for a non-disclosure agreement and that had not moved forward, so we were unable to provide back to the Commission, again, what those proposals—what the value of those were as well as the long-term benefits moving forward.

You know about with the proposal as is, kind of the biggest expense of that represents the dryers. The dryers represent about a $30 million investment against the $100 million proposal.

Alternative Proposal Analysis – Wastewater Treatment Trends

Across the U.S. there are many different trends and processes in the treatment of wastewater

- Sales of Biosolids are projected to increase CAGR ~4.5% from 2021 to 2031
- Biosolids can be sold in the form of cakes, liquids, and pellets
- Biosolid Classes:
  - Class A (EQ) and Class A are safe for agriculture and gardening.
  - Class B: is for other uses like forestry.
- Primary uses of biosolids:
  - Agricultural (Class A and A (EQ)): fertilizer for human and animal crop production
  - Non-agricultural (Class B): Land Restoration and Forestry, Land Reclamation
  - Heat Generation, Incineration, and Gasification: Oil and cement, other Industrial uses (Class B and lower)



Preliminary Draft Report – As of Feb. 13 44 ALVAREZ & MARSAL

Again, I'm not going to go over this, but this was just some of the research that our Capital Improvement group did as it relates to what is occurring in the industry as it relates to biosolids and there's a lot of new technology. There's a lot of different types of approaches that are out there that other sewage districts are both municipal and maybe countywide sewer districts are doing…

Alternative Proposal Analysis – Wastewater Treatment Trends

Common Methods

Treatment Method	Description	Effect on biosolid
Thickening	Sludge solids are concentrated either by settling due to gravity or by introducing air, which causes sludge solids to float.	Sludge retains the properties of a liquid, but solids content is increased to 5 to 6%
Dewatering	Several processes are used: air drying on sand beds, centrifugation belt pressing (filtration)	Increases solids content to 15 to 30% Air drying reduces pathogens Centrifugation and filtration result in some loss of nutrients
Anaerobic digestion	One of the most widely used methods for sludge treatment. Sludge is held in the absence of air for 15 to 60 days at temperatures of 68 to 131 °F. Anaerobic bacteria feed on the sludge, producing methane and carbon dioxide. In some treatment plants, the methane is collected and burned to maintain the treatment temperature.	Increases solids content Reduces odors Decreases volatile solids Decreases viable pathogens Conserves plant nutrients

Preliminary Draft Report – As of Feb. 13 45 ALVAREZ & MARSAL

as it relates to treating their biosolids instead of taking the landfill…

Alternative Proposal Analysis – Wastewater Treatment Trends

Common Methods

Treatment Method	Description	Effect on biosolid
Aerobic digestion	Sludge is agitated with air or oxygen for 40 to 60 days at temperatures of 59 to 68 °F. Aerobic bacteria feed on the sludge, producing carbon dioxide.	Increases solids content Reduces odors Decreases volatile solids Reduces viable pathogens Some loss of nitrogen usually occurs
Alkaline stabilization	Sufficient alkaline material, most commonly lime (CaO), is added to the sludge to increase its pH to at least 12 for 2 hours. The pH must remain above 11.5 for an additional 22 hours.	Decreases volatile solids Reduces viable pathogens Loss of ammonia (NH3) Phosphorus may be converted to forms not readily available to plants
Composting	Sludge is dewatered to increase solids content to around 20%, then mixed with a high -carbon organic material such as sawdust. The mix is composted under aerobic conditions at temperatures of at least 131 °F for several days during the composting process.	Volume reduction of sludge Reduces odors Decreases volatile solids Stabilizes organic matter Eliminates most pathogens Decreases plant nutrient value

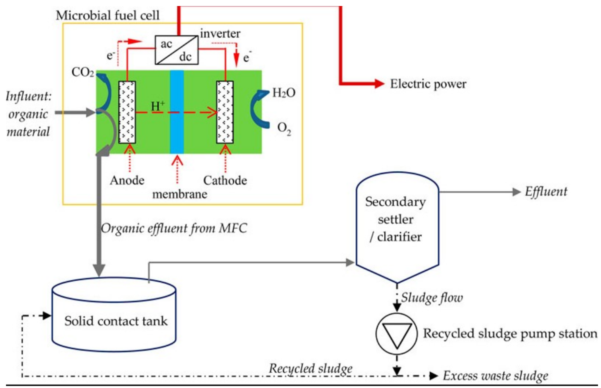
Preliminary Draft Report – As of Feb. 13 46 ALVAREZ & MARSAL

all types of different techniques, a lot as it relates to using the method gas. In fact, some jurisdictions are even looking at using the methane gas to help you create street lighting districts or to help—some jurisdictions are also using (inaudible) to use in the building product. So, lots of new techniques and approaches that we are seeing in the industry.

Alternative Proposal Analysis – Wastewater Treatment Trends

Micro Fuel Cell (MCF)

- Microbial fuel cells (MFCs) are chemical reactor systems that generate electricity from the biodegradation of organic materials with the help of suitable microbial substrate.
- Main advantages: Power generation, reduction of waste aeration, reduction of solids production and potential for odor control
- Issues: Currently has been limited to non -industrial scales due to high cost per installed kW and short lifespan of machinery in commercial uses.



Recommendations

The Unified Government should consider several actions and financial improvements moving forward

Summary of Biosolids CMIP Project Investment to Date			
			Total $$
CMIP Project Expenses - As of December 31, 2022			$ 4,342,007.21
Cost of Issuances:- As of December 31, 2022			$ 229,384.30
Paid P&I of G.O. Bonds (As of February 1, 2023)			$ 311,786.12
Principal	$ 98,196.00		
Interest	$ 213,590.12		
Future P&I on Existing G.O. Bonds (August 2041)			$ 4,809,575.19
Principal	$3,799,250.00		
Interest	$1,010,325.19		
Unified Government Employee Project Time Investment			Unknown
Total Biosolids CMIP Investments to Date			**$ 9,692,752.82**

With the $9.7 million in project investment to date and only 30% of the design and planning complete, the UG should strongly ***consider a Project Restart to explore:***

- Expanded review of potential equipment and technology solutions
- Explore other State & Federal Grant Sources to reduce the impact to the Kansas City sewer system ratepayers
- Refine projection estimates on impact to KCK customers
- Explore added Federal Grant opportunities
- Better understand the potential cost set -off from the federal tax credit program

Recommendations: In talking with a County Administrator, one of the things that we have suggested that you know because of the changes in the technology, the fact that you know this project is going on 11 years old with a lot of work in the past five years, six years, that possibly the Unified Government should maybe take a fresh start or a re-look at the technology being proposed as well as the long-term solutions. Secondly, we also feel there's other federal and state grants that may also be a viable option for the Unified Government, so instead of again, increasing those sewer rates to the amount that's being planned, looking at other alternatives with grants to help offset or hopefully even reduce the amount of the average impact to the sewer rates as well as to also better understand the impact of the federal tax program. The regulations are still being developed. Again, so before you issue any additional financing, look at other funding options, look at maybe alternative approaches, as well as better understanding the financing alternatives.

Recommendations

The Unified Government should consider several actions and financial improvements moving forward

1. **Project Restart**
   - Issue an open formal Request for Qualifications from the industry on alternative biosolid solutions with input from industry experts (excluding current contractor providers)

     RFQ – 90 Day Plan
     - Prepare RFQ – 20 Days (*Use industry experts to develop scope with oversight by a Project Manager)*
     - Proposal Response – 45 Days
     - Internal UG Review Proposals – 15 Days
     - Submit recommendations to County Administrator/Commission – 10 Days
       - *Review RFQ responses and make decisions to:*

         (a) Change Scope for Design-Build of Improvement Plan to reflect new approach/solutions from RFQ
         OR
         (b) Continue with Current Design Build Scope Plan - following the performance assessment of the current design-builder at the 60% completion threshold

   - Review current engineering, planning, and design-build construction contract vendors to ensure no conflict of interest
   - Revisit the use of Owner Rep for Project Management versus the use of a knowledgeable Public Works Engineering Project Manager

Preliminary Draft Report – As of Feb. 13 50 ALVAREZ & MARSAL

So with the restart, one of the suggestions we are making is taking like a 90 days or 60 days here to do a very quick RFQ as it relates to going to the industry and look at the other technology options. You've had two vendors come to you already. Why not during this period of time take a look at are there other options out there. With that, again your current design builder only takes you to 60% of the fact that you're going to have to reevaluate your current design build contractor after they reach that 60%. So, again, you're about three months away from that as well. So, our recommendation was to do a temporary pause, go back and look at other technologies, other solutions and then make the decision of how you want to move forward.

Also, we think it's important that you maybe also revisit the use of an owner rep. The fact that from we observe you have some very talented project managers, you have some very talented engineers on your Public Works staff and why not potentially look at maybe some dollar savings here by assigning the work back to them versus using an outside resource.

Recommendations

The Unified Government should consider several actions and financial improvements moving forward

2. Improve Financial Management CMIP Accounting, Budgeting and Reporting Practices

- Deploy a project timekeeping system to monitor internal staff hours spent on major CMIP projects and special initiatives
- Separate asset values for major system facilities on financial statements
- Hold on issuance of any additional temporary note financings until detailed cash -flow forecast can be provided
- Modify Contract Clearance Review process to have the County Administrator (and General Counsel) approve any (1) On Call Agreement Statement of Work (2) Contract Amendments and (3) Annual Fee increases
- Public Works should perform monthly reconciliation of project related expenses, including comparing invoice amounts against approved/amended contract/SOW rate schedules
- Avoid practices of splitting invoices between available purchase orders
- CMIP project budgets should include a cost component for debt financing cost of issuances
- Explore the use of a separate financial "fund" structure to account for any revenues generated from Gas and/or Bio-product gas (do not comingle sale revenue within the Sewer System operations (pending outcomes of Restart RFQ process))

Preliminary Draft Report – As of Feb. 13 51 ALVAREZ & MARSAL

Secondly, I couldn't help but give you some thoughts on improving the financial management as well. One of the first things that we feel is important is to track your staff, time you spent on capital projects. If you have 10 grants, that's an administrative cost. That could be passed back through the grant. You can also capitalize your own labor as well. Again, your new payroll system, timekeeping system, allows you to do that, so why not take advantage of that. Secondly, we thinks it's important that moving forward if you're going to be generating new types of revenues from whether it's a sale, the sale of gas or these byproducts, maybe these revenues should be set up in a separate Enterprise Fund. I'm not saying setting up a separate utility, but count for them separately and not co-mingle them with your sewer rate fees themselves.

We think it's important that there should be updated cash flow so prior to the issuance of any additional temporary notes that requiring the staff to give you an updated cash flow. We have recommended—I've talked to general counsel about this already, requiring the County Administrator to sign, along with general counsel, sign off on any change order, any statement of work, as well as the annual fee increases, even if they're separate from the contract clearance form but having a legal sign-off of statement of work for any on-call types of the on-call engineering contracts. We feel that there should be some better financial monitoring of projects. We saw that in many cases, again like I mentioned earlier, invoices were paid that did not match what was in the contract. Additionally, we saw that project expenditures were hitting the budget that basically should belong to other capital projects so a lot of journal entries having to be made, so again more routine practices. We saw in one instance where an invoice was split between two purchase orders. Not the cleanest, I would say accounting and financial management, so again, more focus on the CMIP monitoring as well as tracking the capital projects

Then finally, I mentioned a few minutes ago, setting up a separate account and fund for this.

Appendix

Preliminary Draft Report – As of Feb. 13 52 ALVAREZ & MARSAL

Industry Inflationary Index

Source: Construction Analytics

U.S. Total Construction Spending Summary

$ in billions / % growth vs prior yr	Actual 2021		Initial 2022		Year-to-date 2023 as of	Forecast 2023 as of DEC'22		Forecast 2024	
Total Construction	**1626**	**8.5%**	**1793**	**10.2%**		**1875**	**4.6%**	**2007**	**7.1%**
Residential	**803**	**24.6%**	**908**	**13.1%**		**873**	**-3.9%**	**932**	**6.8%**
Nonresidential Buildings	**466**	**-6.0%**	**520**	**11.6%**		**602**	**15.8%**	**631**	**4.9%**
Nonbuilding Infrastructure	**358**	**-0.6%**	**365**	**2.0%**		**400**	**9.6%**	**444**	**11.0%**
Educational	98.4	-11.1%	99.0	0.6%		107.8	8.9%	115.9	7.5%
Healthcare	48.5	-0.3%	52.6	8.5%		59.9	13.9%	68.4	14.2%
Amusement / Recreation	25.3	-10.7%	27.0	6.8%		30.6	13.3%	32.1	5.0%
Commercial / Retail	94.6	5.4%	114.8	21.4%		134.0	16.7%	131.0	-2.2%
Lodging	18.2	-36.0%	18.6	1.8%		23.8	28.0%	25.9	8.9%
Office	86.6	-6.7%	87.2	0.6%		94.2	8.0%	100.9	7.1%
Manufacturing	78.9	4.6%	106.4	34.8%		136.4	28.2%	141.3	3.7%
Religious = Public Safety	15.1	-28.7%	14.2	-6.0%		15.3	7.8%	15.7	2.7%
Power	120.8	2.3%	110.0	-9.0%		115.1	4.7%	130.4	13.3%
Highway / Bridge / Street	100.7	-1.6%	109.7	9.0%		122.9	12.0%	143.4	16.7%
Transportation / Air / Rail	56.7	-6.7%	56.8	0.2%		65.3	15.0%	65.5	0.4%
Sewer / Water / Conservation	55.1	0.1%	64.2	16.5%		71.6	11.5%	78.8	10.0%
Communication	24.7	3.4%	24.3	-1.4%		25.2	3.5%	25.8	2.5%

Forecast includes U.S.Census DEC 2022 year-to-date spending issued 2-1-23
Actual Spending data includes revisions 2020-2021 issued 7-1-22
Forecast includes Dodge Outlook 2023, Starts through DEC 2022

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Preliminary Draft Report – As of Feb. 13   53   ALVAREZ & MARSAL

I didn't go through all 53 pages for the sake of time. Our goal is to finish this up, again, pending—obtaining the information from the staff, but I'll be glad to take questions.

Chairman Bynum asked Mr. Deichler, is Commissioner Johnson on the meeting? **Mr. Deichler** said I can't see the screen right now, but he was not at the start. **Chairman Bynum** said okay. **Mr. Deichler** said we'll have to pull it down, take a look. **Chairman Bynum** said okay. I just wanted to make sure—**Commissioner Johnson** said I'm here. **Chairman Bynum** said oh okay, I just wanted to make sure if there were questions that I didn't miss anybody who was present.

Thank you for the analysis, I really appreciate it. If you have it, there was some consideration of alternative, at least one, right and did it not have a similar price tag. What am I remembering from when you brought this a week ago to ED&F. **Ms. Zielke** said it was in here initially—I'm not sure where it went, the slide, but what we found is we did some comparison. In fact from what the staff provided, Clarksville, Tennessee and Fort Worth, Dallas, one of them they have done some similar dryers so their costs of the dryer to the total project was kind of a cost and comparison of like one to three. So in their case, similar to yours, your dryer investment represents $30 million against the $100 million and those are two other jurisdictions that are using some similar type of technology. **Chairman Bynum** said okay, so that's what we saw—**Ms. Zielke** said that's what you saw.

Chairman Bynum said Mr. Fisher, I wondered if you could come forward to the microphone and I won't belabor it, I just have a couple of questions that I want to make sure that I understand properly about that actual project itself, if you don't mind. **Mr. Fisher** said absolutely, thank you. **Chairman Bynum** said my memory really isn't super. Do you recall, can you tell me at any time during the course of working on this biosolids project did this committee ever see any kind of presentation on any alternatives? Did that ever come to this committee? **Mr. Fisher** said I don't remember making a presentation of any kind specifically about alternatives. **Chairman Bynum** said I don't remember either, but just in the presentation here there was a mention that an unsolicited interest had been given, but I don't think Public Works and Safety ever saw any of that detail. I'm just asking for better memories than mine to confirm that. I don't think we saw--Commissioner, do you remember anything that was anything other than this?

Mr. Fisher said as Ms. Zielke stated, the UG's received two unsolicited proposals along the way. After the first one, staff ruled that out as a viable option, but then also through the RFP process those kinds of alternative technologies and firms could have easily submitted a proposal and did not. **Chairman Bynum** said I see. During that process it was open to—**Mr. Fisher** said right.

Chairman Bynum said okay, so here's what I really want to get down to and you tell me if I'm right or wrong, but at the end of the day ultimately we have to do something at Kaw Point, would that be true statement? **Mr. Fisher** said that's correct. **Chairman Bynum** said so something has to change there and part of that relates to the Consent Decree. **Mr. Fisher** said yes.

Chairman Bynum said maybe not all of it, but as you stated it was built in the 60s, so I mean there's just the age and the outdated things that are happening. I'm just asking you to speak to first of all what would a pause create by way of what's happening now and then secondarily, doing nothing is not an option. **Mr. Fisher** said right. **Chairman Bynum** said whatever we do, money's going to be spent and it's going to be borrowed money? **Mr. Fisher** said yes. **Chairman**

Bynum said there's no way to do anything with this facility without borrowing money? **Mr. Fisher** said right.

Chairman Bynum said part of the question is as Ms. Zielke—as Nancy is sharing with us, you know we have a grant that's submitted that could be $22 million and the possibility of the tax credits, so part of what I think you even said was at the end of the day you know how much are you going to be able to fund in a way other than issuing debt? We're all sort of trying to make that number be as low as possible I would imagine. I just kind of wanted to confirm, stopping is not optional, anything else you want to add just to make sure people understand how serious this is.

Mr. Fisher said, right and I appreciate that. I'd say there's three to four ways to look at this. You do have Consent Decree commitment, you do have the condition of Kaw Point, it was built in the 50s or early 60s, so it was 50, 60 years old. There's been investments made along the way, but one of the things we haven't talked much about is sort of how our maintenance staff, the equipment and the condition of the facilities they're working in. They're more excited about the updates to the facility in that way than they are about biosolids or gas production. So, there's that part that we don't haven't talked much about.

And then there's something—we've got to do something with the biosolids, the landfill is not forever and so we want to be ahead of that. We don't want to wait until the year before the contract expires and that's in '32 if I remember right. So, we're doing the things that I think the elected body wants of staff and that's to plan ahead and be ready for that. So, a big part of this proposal is that, and then we do have a grant submittal and $20 plus million and we have tax credits and I know Ms. Zielke's unsure about that. We have received verification from a legal expert in that space to say that this project as described would be eligible for that tax credit. If though we were to select that alternative technology, if there was one, and had a private entity come in and make investment, that tax credit would go to that private entity, not the UG. Did I address your question concern? **Chairman Bynum** said yeah, I guess I'm just trying to drive us all toward the same thing, which is we don't have an answer tonight, and we still seek information and you've done this analysis which I think is really important, but we still at the end of the day, have to do something at Kaw Point. **Mr. Fisher** said that's correct.

Chairman Bynum said no options, and just one more thing, just something I thought of as you were talking about maybe bringing certain activities back in-house. You know and I won't speak to it, it's your department, I know that in different presentations in the past you've shared about how many positions you have open, and I just don't know what that looks like for you internally is all—**Mr. Fisher** said yep, I appreciate you bringing that up. I'll speak to that if you don't mind. **Chairman Bynum** said yes please.

Mr. Fisher said early on I know staff would tell you, it's written, I did have concerns with bringing on an owner's rep, even though it's very typical on a project especially design build project like this. After several discussions, I made the decision to recommend to the County Administrator that we use that method because I didn't feel like we had the capacity to stay on top of a project to scale that's this complex and do a great job. Since then, I've been thankful every day to have the owner’s rep.

I'll say, you know, regarding the project delivery model that we're using, it's a design build model, progressive design build model. The construction—the owner's rep and the construction partner will build whatever the owner wants to build. It is completely up to the owner to identify the right solution, and after exploring all the alternatives that we have over the last four or five years, even though it's got a history of 11 years, the expiration of alternatives has happened in the recent three or four years, so I feel like we've done all the work necessary to identify and propose the right solution, absolutely with every bit of confidence I have.

Chairman Bynum said I don't want to dominate it Commissioners. Any Commissioner online? Commissioner Markley? We aren't done here obviously, I think you still have some things you're working on for us and we still have to find a way forward to do what's necessary for the facility, so I guess we'll probably see you all again. **Ms. Zielke** said I'm sure we will. **Chairman Bynum** said but I thank you very much. Anything else you need to share?

Mr. Fisher said well, I guess I’d hate to leave without speaking to the Internal Policies, Processes, and Practice that were mentioned. Absolutely, I thought that was where we would get the most gain out of this assessment was learning from an outside perspective where we might be able to do some things differently and Ms. Zielke mentioned those and staff's already talking about how we can do a few things differently. I will say that the fact that the County Administrator does not sign statements of work does not mean that staff violated anything because the policies don't prohibit that or require it. So, we're operating within policy. I feel like we're very good at it. The exception of a few things and I agree that asset tracking the UG needs to understand those things better, and so we'll be working closely with Finance to do some things differently there.

Chairman Bynum asked, would it be fair to say that with regard to that policy, maybe a review of that. **Mr. Fisher** said sure. **Chairman Bynum** said I appreciate it.

Mr. Fisher said I just want to say that a policy like that, I've been serving three cities, I've been through these a few times in evaluating policy, and you definitely need those controls. Absolutely. You also have to design it so that the government can work efficiently, and the scale of this organization you know we need to be able to work efficiently with those proper controls as well. **Chairman Bynum** said that's good. Thank you all very much.

Chairman Bynum said I think we know a little bit more every time we talk about it. I do need to ask the Clerk if anyone from the public, online, or present wishes to make a comment about any of this. **Mr. Deichler** said we're seeing none. **Chairman Bynum** said it was information only, thank you Nancy.

Action: For Information Only

Item No. 2 – 212229…RESOLUTION: 7424 GRINDER PUMP REPLACEMENT-SANITARY SEWER EXTENSION

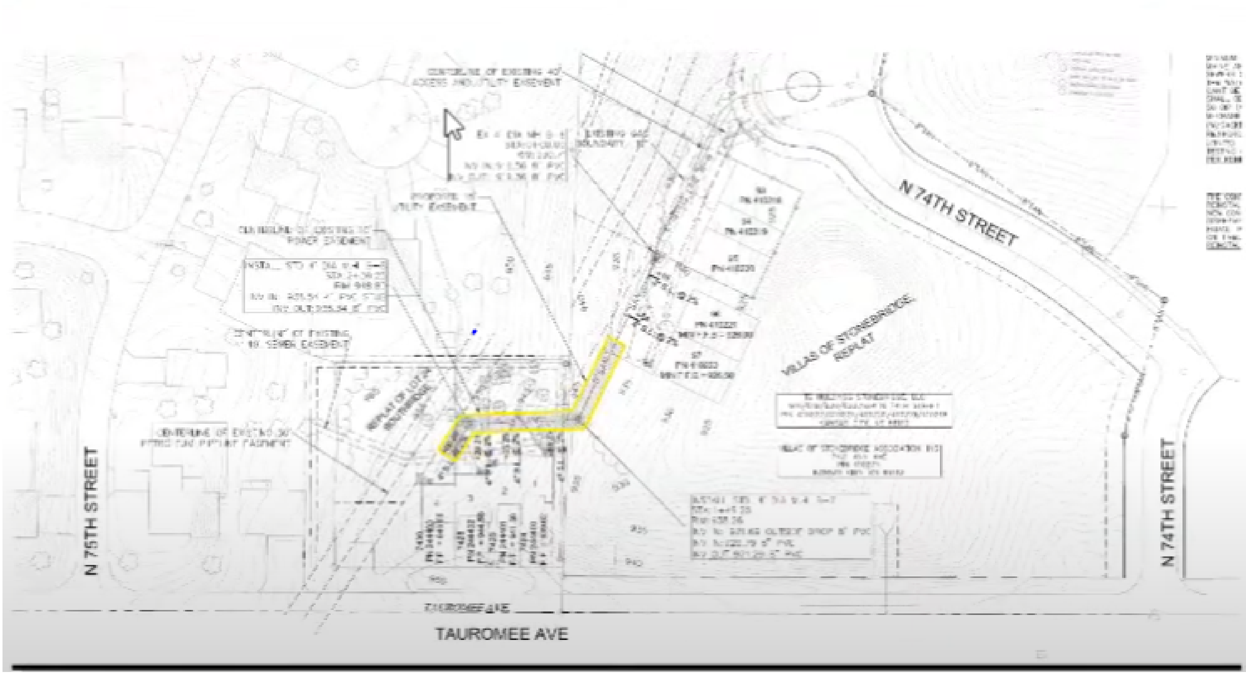
Synopsis: Project Name: 7424 Grinder Pump Replacement – Sanitary Sewer Extension Project. A resolution declaring the project for a sanitary sewer extension for the fourplex unit located at 7424 Tauromee Avenue is a necessary and valid improvement project, submitted by James Bain, Assistant Counsel.

Chairman Bynum said, Mr. Bain, the next item is we had a resolution for a grinder pump replacement for sanitary sewer extension. I think you have an update for us on that.

James Bain, Assistant Counsel, said I do Commissioner. We are at the point in the 7424 Grinder Pump Project where we would normally ask for the Commission to give us approval for a survey and to deem the project a necessary public improvement for the purpose of eminent domain. We did receive word this morning that we have agreement from all the property owners to acquire the easements we need without eminent domain. So tonight, we have Jack Xiong online to give you an update on where the project is, but know that we do not need a resolution tonight for the purpose of eminent domain. **Chairman Bynum** asked is there a gentleman online? **Mr. Bain** said Jack Xiong is online, the project manager. **Chairman Bynum** said just real quick.

Jack Xiong said thank you so much for your time. I want to make this very quick because I know you guys have a lot on your agenda here.

I hope you're seeing my screen here. The project name is 7424 Tauromee Avenue Grinder Pump Replacement Project. The project location, obviously it's in the address, but the purpose of this project was to construct a public sanitary sewer extension for two reasons. One was we need to provide public sewer to a fourplex unit located at that address that had a non-conforming existing grinder pump and this extension would provide them public sewer and would also be able to remove this existing grinder pump. This is a very good relief for the residents there and the residents have expressed a lot of support and also are very favorable for this project, and the second is to promote future development of residential building lots in the area.



I have a few pictures here. These are the plans that we have. Obviously, the yellow is a highlighted public sewer extension.

These are the existing conditions. The fourplex is here circled in red and our existing public sewer is right here in green.

The proposed conditions would have us extend this sewer further south and across these property lines so that these fourplex units can connect to it as well. Also, these two future lots right here can also connect to the sewer extension so if the developer would like to continue to develop in this area, he would have that opportunity as well.

Just a brief picture here, this is the backyard of this fourplex, you see there's a lot going on here, a lot of trees here…

and we've staked out where this proposed sewer would be and it is right here. Obviously, it extends past this fence and you can see why we would need easements for this. As of this morning all the property owners, including the HOA to the east, have all agreed. All have signed. We have one left and they're just about to sign. We were having some issues with the online notary so we're trying to get that resolved, but it looks like we're good to move forward with this project. **Chairman Bynum** said thank you, that's great. Thank you Mr. Bain for explaining it to us, but it negates the need for the motion so we're good.

Commissioner Kane said I have a comment. We have Grinders in our neighborhood and anytime you can get rid of them, you should get rid of them. They're a pain and when they breakdown, you know it, in such a way that you don't want to know it, but thank you guys. **Chairman Bynum** said thank you. Okay, I think we're good.

Action: For information only.

Chairman Bynum said the added item, Clerk tell me if I'm right, we had an added item for the County Initiative for Funding Infrastructure. **Mr. Deichler** said that's correct. **Chairman Bynum** said so we have the blue sheeted item. You might remember that we voted when we approved the budget to renew CIFI or return to CIFI and we have Troy Shaw and Jeff Fisher back with us here for basically a way to initiate that.

Item No. 3 – 212258…RESOLUTION: COUNTY INITIATIVE FOR FUNDING INFRASTRUCTURE (CIFI) (ADDED PER BLUE SHEET)

Synopsis: A resolution declaring that the County Initiative for Funding Infrastructure is necessary for street preservation and permanent maintenance activities. This resolution allocates the $500,000 in funds approved in the 2023 budget between Kansas City, Bonner Springs, and Edwardsville, submitted by Jeff Fisher, Director of Public Works.

Jeff Fisher, Director of Public Works, said I'm just going to let Troy Shaw cover this and then I'll help with any questions.

Troy Shaw, County Engineers, said we have a resolution to approve, and basically the resolution is to separate the funding. I think $500,000 was allocated on budget previously. We've met with City Managers of Bonner Springs and Edwardsville. We're recommending Kansas City, Kansas get $250,000, Bonner Springs $150,000, Edwardsville $100,000 in this first year. Those amounts are semi-arbitrary, but they are very similar from the Bonner Springs and Edwardsville side to what they were getting when the program was previously initiated with the funding they had. So, we thought that'd be a good idea to keep that this year and then if the program is elected to continue on, we'll work with City Managers for the remainder of this year to come up with a system to actually quantify the amounts based on lane miles or other infrastructure needs. So, that's kind of the plan going forward. We're recommending this funding split for this year.

Action: **Commissioner Kane made a motion, seconded by Commissioner Markley, to approve and fast track it to the next Commission meeting.**

Chairman Bynum said thank you very much. Any commissioner or BPU Board Member online that I can't see that would like to address it? **Mr. Deichler** said we're seeing none. **Chairman Bynum** said we have a motion and a second, roll call please.

Roll Call was taken and there were five "Ayes," Groneman, Kane, Markley, Johnson, Bynum.

Public Agenda

No items of business.

Chairman Bynum said that concludes Public Works and Safety for the evening, and I'll entertain a motion to adjourn.

Adjourn

Action: **Commissioner Markley made a motion, seconded by Commissioner Kane, to adjourn.** Roll call was taken and there were five "Ayes", Groneman, Kane, Markley, Johnson, Bynum.

Chairman Bynum said we're adjourned as Public Works & Safety. I'll turn it to Commissioner Markley for Administration and Human Services.

The meeting was adjourned at 6:00 p.m.

jg/dt