I. Call to Order / Roll Call

II. Approval of standing committee minutes from November 4, 2013.

III. Committee Agenda

Item No. 1 - RESOLUTION:TARTAN RESIDENTIAL REVISED SECTION 42 TAX APPLN.

Synopsis:
Resolution of support for Tartan Residential for the use of Section 42 tax credits for the Buchanan's Crossing project located at 706 N. 65th St., submitted by Charles Brockman, Economic Development. This $4.3M project is a 100% accessible 24-unit duplex development serving disabled veterans and the mobility impaired with 18 2-bedroom and 6 3-bedroom units.

On December 3, 2012, this item was presented to the Economic Development and Finance Standing Committee requesting $2.5M in tax credits. The item failed to move
Tracking #: 130412

Item No. 2 - RESOLUTION: SALE OF MUNICIPAL TEMPORARY NOTES AND GOBS

Synopsis:
A resolution authorizing the offering for sale of the following municipal temporary notes and general obligation improvement bonds:

<table>
<thead>
<tr>
<th>Temporary Notes</th>
<th>General Obligation Improvement Bonds</th>
</tr>
</thead>
<tbody>
<tr>
<td>Series 2014-I (tax-exempt)</td>
<td>$69,008,520.67</td>
</tr>
<tr>
<td>Series 2014-II (taxable)</td>
<td>$ 5,555,057.33</td>
</tr>
<tr>
<td>Series 2014-III (tax-exempt co.)</td>
<td>$ 4,900,000.00</td>
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</tbody>
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<table>
<thead>
<tr>
<th>General Obligation Improvement Bonds</th>
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<tr>
<td>Series 2014-A (tax-exempt)</td>
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<tr>
<td>Series 2014-B (taxable)</td>
</tr>
<tr>
<td>Series 2014-C (tax-exempt co.)</td>
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</tbody>
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Tracking #: 130400

Item No. 3 - ADOPTION: SECOND SERIES OF FINANCIAL POLICIES

Synopsis:

On November 4, 2013, these proposed policies were presented and discussed by the Economic Development and Finance Standing Committee.

Tracking #: 130366

Item No. 4 - DISCUSSION: FINAL SERIES OF FINANCIAL POLICIES

Synopsis:
Discussion of the final group of financial policies relating to the following, submitted by Lew Levin, Chief Financial Officer.

- Accounting, Auditing, and Financial Reporting
- Risk Management and Internal Controls
- Local Economic Development

For discussion only.

Tracking #: 130406

IV. Outcomes
V. Adjourn
ECONOMIC DEVELOPMENT AND FINANCE
STANDING COMMITTEE MINUTES
Monday, November 4, 2013

The meeting of the Economic Development and Finance Standing Committee was held on Monday, November 4, 2013, at 5:47 p.m., in the 6th Floor Human Resources Training Room of the Municipal Office Building. The following members were present: Commissioner McKiernan, Chairperson; Commissioner Murguia, Townsend, Walters, and BPU Board Member David Alvey.

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

II. Approval of standing committee minutes for September 30, 2013. On motion of BPU Board Member Alvey, seconded by Commissioner Murguia, the minutes were approved. Motion carried unanimously.

III. Presentation:
Item No. 1 –130361… APPEARANCE: RICH PIPER REGARDING KCKCC TECH CENTER
Synopsis: Presentation by Rich Piper, Director of Technical Programs, on the Kansas City, Kansas Community College Technical Education Center.

Richard Piper, Director of Technical Programs, Kansas City Kansas Community College Technical Education Center, said it is a pleasure and an honor to be here. I didn’t get nervous until all these other folks showed up. I saw this smaller commission and I said, okay I’m pretty good and all the rest of these folks and was like wow. First of all, I want to thank you to everybody here for the support of that incredible facility that we are in right now at 6565 State Ave. It is amazing; it is a great showpiece for our community. I can share with you for the first time since I’ve ever been a part of, wow I almost said ATS, now TEC for the last ten years. I am getting phone calls from down south and different school districts wanting to know what we do, how we do it and wanting to take it to work. Part of that is that new facility but also technical
education is cool again because of the tremendous job opportunities that they are offering and quality paying positions. Just to give you a brief recap on what we do, we have full-time day programs.

We have now introduced many evening full-time programs for students to go to school Monday-Thursday from 5 p.m. - 9 p.m. Our first pilot program was the Audio Tech Program. It is full during the day and it is also full at night. That is the purpose of those facilities is to train people so they can get in and out in 9 to 11 months and go take care of their families with a higher skill which leads to higher wages. We also have Continuing Education. Those are the fun courses so things like how to learn about electricity, many cooking courses so on and so forth. I am not going to bore you with those details. Also, we do customize specialized training. We just did what is called Mastercam X7 and Mastercam is a software package that is used throughout our CNC machines, throughout our community and I’m going to say community not only our manufacturers here in Wyandotte County but throughout the Kansas City metropolitan area and we are able to serve five small businesses in that training. That was sponsored by an accelerator grant. I couldn’t help but eavesdrop; we’re talking about demolition where we have what is called a construction greenup program where we deconstruct properties.

Let me share with you the advantages of that, not just how much we save on landfills—and I know it cost more, but the savings of putting so much more material in our landfills and more importantly, the two cohorts that we have had so far. We serve individuals that may not be the most employable but because of working through that program and gaining the necessary skills and they start working with contractors and subcontractors, they start to build those relationships and they make a transition from not being as employable that they are employed. We have many folks that are still employed in the construction industry because of that program. It also helps that the construction industry has come back somewhat. I just wanted to through that out to the powers that be. Not only would we save on landfills but more importantly who we serve as far as getting—one young man was a homeless veteran. He is no longer homeless. He is working still and has been for nearly two years. That’s a miracle in itself but at the same time I can’t promise that, it just creates those opportunities for those folks.

I got to digress a little bit. You know you are getting old when you see people like Marlon Goff, who you had as a player at Washington High School and he is in a big person job now and I’m looking at him going you should be under center right now and I should be on the

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sideline and having some fun on the gridiron but here he is he’s got a nice check and I’m like when in the world. Sorry I have to apologize. Do we have to put that on the record? **Doug Bach, Deputy County Administrator,** said it will be on there. **Mr. Piper** said oh, I am sorry. Tomorrow and Wednesday, hot careers day, Tuesday is all the school districts we serve outside of USD 500 and Turner. They come in and they get a chance to have two hands on opportunities at programs that they have chosen. We give them a tour and then we do what is called career jumping during lunch where many professionals come in and they share the advantages and disadvantages and these young adults get all those opportunities to learn from those professionals. On Wednesday all the USD 500 schools come in and also Turner. It is a great infomercial. It is a great day. There is always a lot of energy in our facility but even more when you have about—holy smokes I think there’s going to be close to 400 young adults come in each of those days just to share the information and the career opportunities that are available.

I want to share with you, there is an incredible, and you’ve heard this I’m sure, renaissance in our manufacturing sector. More jobs are coming back here to the United States. China’s labor has gone up significantly as it should because those folks were working for nothing. At the same time when you hear manufacturing I want you to get away from 1946, 1950, 1951 and 1952. I wish you could go into some, well just picture on a larger scale, a $600M facility that’s going in with GM. That’s a paint booth. For anyone that has ever worked out of collision that is a massive paint booth. There is going to be a lot of technology in there. There’s not going to be a whole lot of people working in that place. Some create quality positions but a lot of it’s going to be technology and right next door A & Manufacturing, Steve Hasty, the owner, John Jackson the general manager. In that facility they employee about 110 folks. There are five CNC lasers, computer numeric controlled lasers. What that means—and those machines cost anywhere from $1.5M to $3.5M. So here’s my point. We don’t pull Rich Piper off the street and go have at it to operate a $2M machine. They have to have the training and you can get that at the TEC. Those jobs start off anywhere between $14-$18 an hour. Now let me share with you a few success stories. Let me back up, I know we want to keep them in our community making good money at the same time but there’s opportunities. You have to go where those opportunities are.

We have had two former welding students up in Williston, ND, where we are dropping an oil well every 16 days. For a while there we were laying 8,500 miles of pipe a year. Well,
that means you need pipe welders. You can learn how to pipe weld at the TEC, nine months of training. These young men have had nine months of training. They are making six digits. We just hired an adjunct welding instructor who is 27 years old, he lives in our community and he was working up there. I asked him why would you come back, and he was working for one of our smaller manufactures, and I asked him why would you come back home. He said well I got married. I said okay. He said I got a brand new baby girl. See what he would do is spend six weeks up in Williston and come home for a week. Six weeks back up in Williston, home for a week. He shared with me, my house is paid for. I have no debt. I have been up there the last 3 ½ years. I have paid off my home. I don’t need to make as much money. That way I can stay at home with my baby girl. Those are just some of the—one more, a couple of quick opportunities. I should say success stories.

Andrew Barrera, who is the night supervisor at A&E Custom Manufacturing, he is one of ours. He came through with the taxpayer’s money when we were going through our great recession and there was a lot of training dollars available. Andrew took advantage of those training dollars and now working for A&E Manufacturing to the tune of probably about $45,000 to $50,000 a year.

Then I’ll close with Myron Crisp, earned his four year business degree but he couldn’t find a position because when he came out in 2009 or somewhere in the middle of 2009 to 2010, it was difficult to find a position as a business degree recipient. He went through nine months of training and wanted to become a welder. He is a tape welder in one of our local manufactures now making $22.50 an hour, full benefits, which equates to about $46,800 a year and does not include overtime.

What I am asking here, to this incredible group, in education and we are doing a better job because again TEC education is cool again because that is where the careers are. The average welder is 65 years old; we must have some guys and gals at 3,000 years old to raise that age because I don’t know how you weld at 65 because that is very much a demanding position. Let’s just share all the opportunities with our young adults with our adults and let them pick what they want to do whether that’s a certificate, two-year program, four years, masters or PHD. Electrical students are coming out and they have anywhere from industrial maintenance positions starting at $18.50 and more.

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As electricians they are coming out, George Klump has built a great relationship with our apprenticeship programs, our local unions. By the way we are pre apprentice. We do not take that sacred ground of that apprenticeship, which to me, when you have gone through four or five years of that training you have your masters in that skill set and I believe that with all of my heart. So we get individuals ready to step into that first year apprenticeship program. What some local unions are doing, they are honoring after that first year kind of a probationary they then go to that third year apprenticeship program, which means they go from $14.50 to around $22-$23 an hour. That’s kind of the relationship that we are building, plus we have a great many opportunities with the other divisions but I want to thank you for this opportunity to share. We are very, very blessed to be at that facility and also though I will toot our own horn, when our Board of Trustees approved we could purchase that property and also the two old car dealerships, by the way that is very cool to have 32 bays on each of those facilities let me tell you. When they approved that opportunity for us to start building on that property, you want to think about how long that property might have set idle. Now it is vivacious heart of that midtown, and I am very honored to even have a chance to work there. I will take any questions you might have.

Commissioner Townsend said it sounds like a great facility. Going back old school to the old school type of thing where some of these were taught in high school and I am very interested in following up on one of the success stories that you just made mention of. The gentleman that was homeless. I am curious as to how someone in his position or any of the other young people out here who are just kind of drifting, don’t know exactly. They figure four years is not for them. What about the funding that may be available to assist them in getting into these programs. How do you go from having nothing to taking advantage of this opportunity? Mr. Piper said there are two cohorts. One is a federal grant that we received working with MARC (Mid-America Regional Council) and Victorian over there. Then going back to our young adults that aren’t quite sure what they want to do. That’s the beauty of Hot Careers Day because that’s what we are doing, we’re exploring. They apply for the FAFSA. There is still money there available and the FAFSA usually pays for the entire program. I’ve got brochures. Take a look at the cost and it is very reasonable for the fees.

The gentleman that was a homeless vet was working with the VA had some help there in making that transition. Then I will be honest, the employer was willing to take a chance based

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on—here’s the beauty of our training. Our training is from 7:30 a.m. - 2:15 p.m. every single day, Monday-Thursday, 5 p.m. - 9 p.m. Our instructors get a chance to build tremendous relationships with those students. If they see someone who has maybe struggled in the past, really trying to turn the page and trying to do better, I have watched them go to work and utilize their network and say I think this young man or young lady is worth the chance. That’s how that transition happened.

Commissioner Townsend asked is this program open to any one of any age. Mr. Piper said when I say any age, either out of high school or has your need your GED with many of the programs. At least have earned your GED, take the compass test but don’t let that stop folks. With any of our programs you can get started and then upgrade those English and math skills. Commissioner Townsend said I asked that because there are so many people I am running into with children and the children may have gone to college a year or two and found out it wasn’t for them and they are kind of just drifting. They probably have those basic skills obviously, they went to college, but it’s just not for them. Mr. Piper said here’s our type of person, they can make magic happen from their minds to their hands. They have the ability to see something in a diagram or look at it, read about it and be able to just make it happen here with their hands. Like Myron was the guy who had his four year degree in business and decided I need to try something else because I have to make a living, heard about our welding program, was a hands-on kind of guy and now that’s where he is making a living. I will wager that he will move into a supervisory level with that business degree and combination of his welding skills. There’s no question in my mind because he has great soft skills. Back to those young adults who are kind of drifting, have them come over to the TEC to take a look at what we have, call the admissions counselor, mentor to see if there is something there for them. There’s 21, 22 different programs they can take a look at.

Chairman McKiernan said fantastic, we really appreciate you coming by tonight and sharing that. It is a marvelous program, great facility. We appreciate all your work on that, for anybody who wants them, we have brochures. I would say definitely pass those around the table for everyone who is on the committee.

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IV. Committee Agenda:

Item No. 1 –130364… RESOLUTION: BPU UTILITY SYSTEM REVENUE BONDS

Synopsis: Request adoption of a resolution authorizing the issuance of BPU Utility System Revenue Bonds to finance improvements to the utility system, submitted by Lew Levin, Chief Financial Officer.

Commissioner McKiernan said we’re going to have four people involved in this discussion. We have Lew Levin, Lori Austin from BPU, Don Gray from BP U, and then I asked BPU Board Member Alvey who is the BPU Board President if he could very briefly frame the discussion for those who haven’t been to some of the other meetings that we’ve had, give some of the background on what even brings us to this item.

BPU Board Member Alvey said as you recall on September 12th we met together at the BPU to educate ourselves about the future electric generation plans of the BPU. At that time we tried to present clearly the challenges that are being posed on the BPU by recent EPA regulations and these regulations of course not only affect the BPU and force us into some critical decisions but this is happening across the country. The challenges and really brought by these regulations are serious, they are real, they require extensive research, planning, construction and of course require cost of the expenditures.

Today we are presenting to you what we think is the least expensive, the least volatile and, therefore, the best long-term proposal for assuring that the BPU is able to comply with regulations and at the same time continue to provide affordable and reliable power to this community.

This particular proposal today for these bonds will enable the BPU to come into compliance with what is known as the Mercury and Air Toxic Standards Rule. It’s also known as the Utility MACT Rule which is short for Maximum Achievable Control Technology. The MACT Rule mercury and air toxic standards seeks to reduce emissions of mercury and acid gases as well as particulate matter from coal-fired generation such as what we have in our Nearman Plant. This rule was finalized on December 21, 2011 though it didn’t enter the Congressional Registrar until March, 2012. The rule requires that all utilities nationwide be in compliance by April 16, 2015. The rule does allow for a one year extension if it’s granted by the

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State Implementation Agency and, in fact, the BPU has already been granted a one year extension by KDHE.

There is also purportedly available a one year extension to be granted by the EPA, however; the rule is written in such a way that no one anywhere expects any utility to be granted that additional one year extension by the EPA. That extension would mean that there would have to be—if Nearman, for instance, were to be out of compliance and not able to generate electricity it would have to affect the regional power grid and we’re simply not large enough to produce to cause that to happen. In fact, no utility on their own is probably large enough to trigger or warrant that one year extension. In effect, coal-fired generators were given 40 to 52 months, or 52 months at the most; to comply with the MACT Rule. However, when public power utilities nationwide were surveyed as to the amount of time necessary to get the job done, that is to devise a plan for remediation, to hire engineers/contractors, to order equipment and obtain approval and financing and then to install the equipment, the average amount of time thought necessary was 66 months. This shortened timeframe and the heavy cost imposed by these regulations has the effect and, in fact, it was an intended defect to shutdown a significant portion of the coal-fired generation in this country. The EPA by its own estimates predicted a loss of 9.5GW of electricity nationwide, that is coal-fired electricity nationwide, however, since the announcement of the rule announced retirements of coal-fired plants due to MACT and then coupled with another rule, the CSAPR Rule, has already reached 34GW which is more than three times what EPA predicted would happen.

What’s happening here is the BPU like other coal-fired generators across the nation are at really a crisis point. We have to make a decision how we move forward into the future in order to meet this rule. For its part the Board of Public Utilities has looked at this problem, at this situation from every angle. We believe we have exhausted all of the options and weighed each one carefully because we absolutely have to find the best solution for this problem. We’ve asked ourselves do we need to shutdown Nearman completely, do we need to switch completely to natural gas, do we need to shutdown Nearman and go and purchase power on the open market, do we need to perhaps enter into long-term purchase agreements with other providers. Some of those options are simply not available to us. For instance, we can’t identify any local provider of electricity who would actually be willing to enter into a long-term contract with us to meet the level of need that we would have so that is not a viable option. Even if it is viable, even if there

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were a producer, we still have to have the transmission and the transmission requires at least 18 months for approval. What we’ve done is look at this problem from every angle and tried to find the best solution and what we’re going to do this evening is present to you these varying options so you can understand the MACT process, the research that we’ve gone through to come to this particular proposal.

What we think and what we believe after extensive research in looking at this ad nauseam we think the best option for this community is to obtain financing to install air quality controls at Nearman which will enable us to continue to generate coal-fired electricity from our Nearman Plant.

I will say this; we would frankly prefer not to have to come to you with this request. This was not something that we had any choice in. The only choice we have is how we move forward, how we continue to provide affordable and reliable electricity to our customers.

As you will see other utilities in the region, really nationwide, are expending capital at roughly the same rate that we propose and they have to do this in order to come into compliance as well and they are doing it, in fact, on plants many of them that are much older than Nearman. Since our country lacks a coherent energy policy, a policy that will continue to allow us to provide reliable and affordable electricity and at the same time allow us to move forward with environmental controls and at the same time take into account the amount of time necessary and the amount of the money that is necessary to move forward with environmental controls. Slacking that kind of policy we simply have to take action and we have to take action very soon.

As we move on to the presentation any questions you have on this especially about the process we went through in trying to weigh all these options, please ask them. We understand that you have to have every clarification because our next task, and we understand this, our next task assuming we obtain approval for these bonds is to install the air quality control equipment, is to inform our community why this is necessary and why this is the best option moving forward. Certainly we know that your constituents will have the same questions of you and we want to provide you with as much information you need in order to answer those questions.

Commissioner McKiernan said so with that as background we’re going to turn it over to Mr. Levin, Ms. Austin and Mr. Gray for a presentation of the actual resolution that is before us tonight.

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Lew Levin, Chief Financial Officer, said I have just a few brief comments. I want to first reinforce for this committee what the role of the Unified Government is for the issuance of utility debt. Utility debt is issued by the Unified Government. We’re the authority that issues the debt for the government. The action before you this evening is to grant authority for future improvements up to $250M. That action will not cause the issuance of debt. Final actions are yet to occur. The actual debt would be issued in a future bond sale. At this time, you’re simply authorizing the type of projects that are described in the resolution that BPU Board Member Alvey alluded to. Final actions are yet to come before the commission and those actions will allow the government to move forward with an actual sale and then once that sale occurs, approval of the results of that sale, so those two actions are yet to come before this government. I think those essentially were the comments I wanted to make. I think Lori and Mr. Gray will talk about the size of future financing. I think what the utility plans is that the financing would be done in phases over a period of multiple years, but I’ll let them discuss that in a specific presentation.

Mr. Bach said, Lew, would you clarify to the governing body who is responsible for the payments of the bond issue after it’s out there and being serviced over the years. Mr. Levin said the bonds that would be issued are revenue bonds paid from the utility revenues. There is in the structure of the debt there’s specific mention of the PILOT payment. The PILOT payment does not go toward the structure of the debt but it is referenced that a debt has, I’ll say, a superior status versus the PILOT payment to the government.

Mr. Gray said pursuant to that, we will articulate that much more clearly that we have provisions in our rate structure so the PILOT will not be affected; revenues from the PILOT will not be affected by revenues generated to pay off these bonds.

Mr. Levin said I think they may address theirs in the bond covenants. There’ll be specific reserves that the utility has to maintain to ensure payment of their debt.

Mr. Gray asked would you like me to—I was going to walk up to the front, but if you want me to stay here. Commissioner McKiernan said it’s entirely your call. We can move this microphone if you wish to be closer to the front. Since we do want to record things, we do want you near one, so however we can work it out.

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Mr. Gray said first of all, I want to thank Dave, BPU Board Member Alvey, president of our board for an excellent overview of why we’re here. It’s not something that we wished to do; it’s something that we have been required to do. Doing nothing is not an option.

AGENDA

• Background
• Regional and BPU Impact
• Review of Options
  • Nearman AQC Project
  • N1 Gas Conversion
  • Additional Dogwood Purchase
  • New Gas Combined Cycle
  • Power Purchase Agreement
• Financial Review
• Closing Thoughts

What I would like to do is just basically give a brief background. Dave has already covered quite a bit. So regional and BPU impacts, review of our options, we did consider a number of options, not only the AQC project at Nearman, but also converting Nearman to gas. Also additional Dogwood purchases. If you recall about a year ago we did obtain approval from the commission and the mayor to move forward and to purchase 110 mega watts of combined cycle gas energy from the Dogwood facility that’s located at about Cass County about a little over 30 miles from here. We also looked at building our own new gas combined cycle or just simply purchasing a power purchase agreement and then we’ll present a financial review and then closing costs.
BACKGROUND

- September 12th presentation to the UG, Mayor, Commissioners and BPU Board
  - MATS Rule – compliance by Apr 2015, 2016 w/ext
  - 20-Year Electric Generation Master Plan
  - Quindaro units switch to gas in 2015
  - Nearman AQC investment - $250M

Again, if you recall on September 12th, we gave a joint presentation to the UG mayor and commissioners and our board to kind of give an overview as to why we’re here. The big driver is, as BPU Board Member Alvey alluded to, is the MACT rule. That’s the one that finally landed back in 2012 in April and said that we had to put controls on it or we would cease to be able to operate the plant with coal. We also, at the request of—I know Commissioner McKiernan and other commissioners, as well as the former mayor, had asked, you know, you come over and ask for approval to spend money on the Dogwood, just what are your plans going forward? How often are you going to have to come over and ask us for continual debt financing? Those were legitimate questions and so we came up with our 20 year, what we call our electric generation master plan and we presented that as well at the September 12th meeting. The basic outcome of that was we have currently three coal plants in operation.
We have two of our older plants, when I say older, unit one at Quindaro was built in 1966, came on line. In 1971, unit two at Quindaro came on line. In 1981, the Nearman facility, which is our largest and most efficient—in fact, Nearman, 235 mega watt coal plant is one of the most efficient, low cost operating coal plants in the United States.

As was mentioned, it’s not that we are being picked on. Anyone in the area, and we’re predominately coal in the Midwest because that is a natural resource. Most plants are relatively close to a good source of coal. Back in the late to mid-late 70’s, those of you may recall that there was an oil embargo. During that period of time, there was a big promotion to build coal plants. Utilities were told that gas was limited and wouldn’t be available. We wanted to get more and more away from dependence on foreign oil so they said we need to move aggressively toward more coal for supply of fuel for our generation and so many utilities did, especially in this area. What I want to show is that Westar in Lawrence, they have three units there. One was built in ’54, 1960, and 1971. They’re investing $300M to continually upgrade controls at those facilities. Their Jeffrey facility, they’ve got three plants there. They’re investing $500M. La Cygne, $1.2B on the Kansas City Power & Light side. That’s what they’re investing in control equipment on those two units that are located in La Cygne. Also, the Iocan unit one, when they built unit two at Iocan, they had to agree, Kansas City Power & Light did to add additional control equipment at the cost of roughly $300M.

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All through here are a number of states and facilities that are making sizable investments to protect their coal. Why is that? First of all, with the way the regulations are structured now, they’ll be no new coal plants built in this country, not at this point. A lot of it is, not only with what we’re dealing with now, but the greenhouse gas issue, the carbon dioxide issue, and so forth, there’s no good way to deal with carbon dioxide. The technology is not there, not yet. Consequently, to build a new plant, you’re going to have to somehow deal with the carbon dioxide issue. Since there isn’t any good proven technology, coal right now is just kind of sitting on the back burner and may never come back as a primary source of fuel.

The sad part about that is, right now gas is fairly plentiful because of the fracking process. There’s a slow movement in this country to start going after the fracking processing from environmental perspective. Where that ends up; who knows. What they may ultimately do with gas, who knows. I will say historically, gas is a much rarer resource, much more limited. When you talk about a 15-20 year life of gas where it will be affordable; that’s the projection right now. That’s not very long. When you build plants that cost $3, $4, $500M and you’re talking maybe a stable gas price for the next 20 years at best—and actually just to give you kind of a recent volatility in the spike of gas, in 2008, it spiked up to about $12. Currently it’s running at about—we’re obtaining gas for about $4.

They’re looking at over the next couple of years, five years or so, maybe rising up to $5 and $6. As long as no one touches what’s going on in fracking and the environmental regulations don’t start going toward that area, that’s what they’re kind of proposing at this point. All of utilities, Kansas City Power & Light, Westar, all of them around, are making these sizable investments because they want to protect their coal because it’s still the low—even with putting the controls on, coal being a low, reliable, stable fuel, lowest cost, they’re doing this to protect what they have. The future is uncertain. To replace it with just gas—and the other thing is, if you think about it, the thing that’s made this country strong energy wise, not only low cost, reliable, but diversity of fuel; having some gas, having coal, having some nuclear, having a mix is a wise approach. That way you don’t have any one area totally reliable in any one fuel supply. That’s why you see all of these utilities spending, making all these big investments to protect their coal plants.

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To do nothing is not an option

The impact on us is that compliance with regulations will require system modifications. We have looked at multiple compliance options. We’ve looked at, again, switching fuel to natural gas, retiring units, and replacing generation, building new, ownership position of other utilities like Dogwood and then simply power purchase agreements.

What I’d like to show you here in this table is a basic summary of the advantages/disadvantages and also the cost for whatever approaches that we take. I’ll cover this one last time because that’s kind of our base case. Switching Nearman to natural gas at $4 gas, it will be $61 mega watt hour, $84 at $6 gas. If you can image what that would amount to if it was $12 gas like it was in 2008, it would be well over $100. To give you an example, we’re operating Nearman now with coal at about $27 a mega watt hour. To show you now efficient it is and how low cost it is.

To convert Nearman to natural gas, we’d still have to put some control on it to control the nitric oxide that’s being released from burning the fuel. To do that switching, we’d have to do some modification to the burners. We’re looking at $100M investment. The advantage to that is it’s a lower capital cost. We’d still have owned and control asset. Naturally the maintenance, the cost would be lower because we wouldn’t have the coal handling equipment, less overall environmental impact, and it protects our economic development. Please appreciate that we work very closely with Wyandotte Economic Development Council, working with the Unified

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Government in offering incentives to bring in new business. We can only do that if we have control of our costs to evaluate what our incentives can be.

The disadvantages are right away we’re going to have higher generation costs as you can see up above. Then we have natural gas price volatility, which I mentioned before, and also we have because of this limited transmission of gas, we could have a situation where it could be interrupted. If gas got constrained because we don’t have a firm supply contract, it could get interrupted. If they did interrupt us, then we would be without fuel and we would have to take the unit off. Also, in Lawrence, they have the units there that in the wintertime, they have had to cut gas off at those units to protect the residences and businesses in the city of Lawrence. If Lawrence has been expanding and they’ve been drawing off of that limited resource of natural gas because of the limited pipeline system, they actually have had to stop burning gas in some of their units to protect—for heating purposes and things for residential customers and that. They’re the top priority. Utilities are a lower priority.

Also, and most importantly, under the new market that we’re going to be entering into actually this next year, everyone is going to be offering their generation into the market. The south will be called the southwest power pool and we’re a member of that along with part of Texas, Missouri, Nebraska, Oklahoma, and so forth. We’ll all offer in our generation resources. What will get dispatched to us is the lowest cost energy.

We put Nearman on natural gas; it wasn’t designed to burn natural gas. It was designed to burn coal. The actual cost to run Nearman is going to be higher than it is to burn coal. We estimate that our greatest asset we might only be able to utilize 25% or less of the time during any given year. Also converting the Nearman to gas and also as we mentioned before at the September 12th presentation, we’re switching the two Quindaro units to gas because we can’t afford to really invest several hundred million on those two units because their useful life is projected to only be about ten years. Those units, though, we’re designed to burn natural gas and coal. But, the same thing, we switch those to natural gas, which will occur April 2015, that’s when the natural goes into effect, those units will be a higher operating cost unit. We project that we’ll probably only see operation of those systems less than 25% of the year because of their higher cost.

The other thing about natural gas, there’s no way to really store it. If you have a major interruption in your pipeline, you’re down. Your whole system could be down if everything was

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on gas. Switching over to—we also looked at more Dogwood. If you recall when we came and talked about acquiring 110 mega watts, there were several concerns. One was, there are other owners of Dogwood. That unit is a 650 mega watt unit. The municipals that joined in with us to buy ownership in Dogwood, we own about 45% so we’re still a minority owner. We could buy more and we would then be as a group, an aggregate, we would be a majority owner, but still, there would be other players having recommendations as to how to operate the unit. We wouldn’t have necessarily sole control. Then there’s also, even what we would consider purchasing, we still wouldn’t be buying all the reserve with Dogwood. There could be others, and there will be other owners as well to deal with.

The other thing is investing a lot of capital in another community. Also, we would not have our personnel operating that unit. That’s a contract operated unit and people live and work in and around Cass County. We would also lose jobs. The estimated cost right now with gas where it is, Dogwood can operate at about $66 a mega watt hour. If we replace Nearman only with gas at Dogwood or purchasing Dogwood, it would be about a $175M roughly right now investment to replace 235 mega watts of energy. If we went ahead and replaced all of our coal units, now we're looking at $255M to replace Nearman, Quindaro (both units) with Dogwood. Understand a combined cycle plant has about a 30-year life and currently Dogwood has been in operation about 10-11 years. However, we’re talking lower capital cost. Our advantages: we would own it; we wouldn’t be operating it with our people, but we would own it or at least a portion of it; lower maintenance costs; less overall environmental impact because it’s a gas plant; protects economic development because we have the ownership. As far as a gas plant is concerned, it’s a high efficiency combined cycled power facility.

In the disadvantages: natural gas price volatility, no direct control, investment outside of Wyandotte County, and the possibility of an interruptible gas supply. They have not got actually firm supply yet. They’re working on it, but they can be interrupted. There are transmission limitations. Bringing the energy we just have right now, a firm pathway for 110 mega watts, if we were to ask for about 350 additional mega watts, let’s say, we don’t know if we’re going to have to invest in substantial millions of dollars of transmission upgrade costs in order to get the energy into our community. That would have to be studied by the Southwest Power Pool.

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Commissioner Murguia asked what are the $175M and the $255M projected costs. How long is that for? What are you spending that money on? Mr. Gray said that’s just to continue to buy ownership in the Dogwood itself. Currently, we own 110 mega watts. Independence owns, I think, 50 mega watts. Other utilities own lesser amounts. Commissioner Murguia asked so you’ll have to buy more ownership in order to be able to buy more power from that. Mr. Gray said yes. Commissioner Murguia asked how much of the Dogwood plant would be own if we paid the $255M. How much is left to buy? If I remember correctly when you guys brought us the Dogwood option, one of the things is, we had to approve it quickly because there wasn’t going to be anything left and we needed to get it done right away. Mr. Gray said yes. Commissioner Murguia said and now you’re saying there’s $175 potentially $255M in additional plant to be bought. Mr. Gray said no. It was not actually that it would not be available. It was that we had to have it in order to comply with the Kasper Rule, another regulation that was coming down. Without that, we would have been forced to possibly shutdown all generation after May 8th of that year. It was another example of another regulation which just was forced upon us at the last minute. We were given eight months to comply with it. We had to move to obtain some additional non-coal generation which was the Dogwood plant. It was a great option for us.

We actually, if you recall, in our last rate adjustment hearing process, tried to put money into the structure that we could build a combined cycled plant in Wyandotte County to replace some of our aging plants. We didn’t have time to actually build that in Wyandotte County because the Kasper Rule was coming on. Because we entered into lawsuit with other utilities in Kansas, we were able to file a lawsuit in federal district court in Washington. By a two to one decision, that court vacated the Kasper Rule and forced it back to the EPA. That could come back. It’s just at any time, it could come back. Again, that Dogwood purchase was in response to another EPA regulation that we were actually able to get some relief on through the courts.

Commissioner Murguia said I remember that but there was also a time sensitive issue. I’ll pull the notes from it and look at it, but it was, if you don’t buy it now, the cost for us to buy-in was going to go up and it didn’t have anything to do with the regulation. I specifically remember because Commissioner Markley and I talked about it at great length.

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The other deal is, I know you have these mandates and you’re trying to meet deadlines, but if you were going to build a new plant, I guess, like I said when you came to us with Dogwood, I don’t understand why we didn’t collaborate with other cities that needed power and build that Dogwood plant right here in Wyandotte County, create jobs, fix our power situation. I know you said there was a timing issue, but can’t we ask for an extension. Mr. Gray said no. You can ask. They will not give it to you. Commissioner Murguia said tell me again, what are they going to do to us if we don’t do it. Mr. Gray said if we continue generating electricity beyond May 8th, we would have faced civil and criminal penalties of $37,000 per day per ton and our estimate was $131B for eight months of generation. Commissioner Murguia asked so if we don’t pay that, what will they do to us. BPU Board Member Alvey said well, first of all, I may end up going to jail because there’s a criminal penalty. If we knowingly operated to keep reliable energy supply here in this community violating the rule, they could come at me with criminal penalties and send me off. Commissioner Murguia said and you think that—and that would go to federal court? Mr. Gray said it’s a federal offense. Commissioner Murguia said so you think somebody would send you to jail if you’re in the process of building… BPU Board Member Alvey said that’s the threat. Commissioner Murguia said a compliant plant. I’m not saying don’t do anything but cross your arms and say we’re not going to do anything, but are they really going to send you to jail if you’ve entered into a collaboration to build a new plant. BPU Board Member Alvey said as an elected official, I’m sworn to uphold the Constitution of the United States and its laws. I cannot knowingly vote for something which will be in violation of federal law. I can’t do that.

Mr. Gray said I would love, and I’ve raised this question with EPA officials, we’ll put the controls on, but allow us some time. Let us spread the time out. Let us spread the debt out so there’s not such a great impact in trying to get this in, in such a short period. It just falls on deaf ears. That’s why when Dave mentioned that we need an energy policy, we do. That’s one the main reasons. EPA is insensitive about communities, about the challenges to certain communities; they don’t care.

BPU Board Member Alvey said it’s not part of the regulatory structure under the Clean Air Act to assess what the financial burdens or other burdens on a community are. They are simply under order to implement what has been passed by Congress. What will happen is and what has happened is, when EPA has kind of moved slowly to try to write the rules and

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regulations, then citizen lawsuits are brought about the EPA which then forces them to go, in fact, and write the regulations that we’re seeing now. That happens on a continuous basis.

**Commissioner Murguia** asked how much of the Dogwood plant is left to buy before you can’t buy anymore. **Mr. Gray** said well, if we own roughly 45% of 650, I don’t have a calculator, but we’d probably end up with 80-85% just to get us. Jo? **Ms. ?** said I think there’s about 300 mega watts left. **Mr. ?** said that is for sale right now. **Commissioner Murguia** said so we would own about 85% of the Dogwood plant. **Mr. Gray** said it wouldn’t be quite that much; 70-75% roughly. **Commissioner Murguia** said in Cass County. **Mr. Gray** said it would be in Cass County, yes.

**BPU Board Member Alvey** said part of the difficulty, again, but going to gas generation is that you have the volatility of gas. In fact, there was a rule that they’re trying push now—this is interesting because what I’ve heard is that they’ll say when—for instance, the Sierra Club started what was called The Beyond Coal Campaign 25 years ago trying to move America away from coal fine generation. In fact, the Sierra Club accepted a $25M donation from a natural gas company to fund some of these efforts. When they started this campaign trying to force switching to natural gas, they understood that gas was volatile and expensive but that did not matter. Now with fracking, which has really taken off in the last decade, they were not betting on relatively cheap natural gas. Now, they’ve started a new campaign called Beyond Natural Gas. Now they’re starting to move to force regulations on fracking. There was just recently another rule published; the EPA just published a new rule that will require fracking wells to capture the methane that is released in the production. Every time a regulation is added on to the process, it increases the cost of production. What the estimates are is that if they do a full regimen of rules controlling fracking, it’s going to draw a $4 cost of natural gas immediately to $7. You can take those figures and go from $61—let’s see, a $6 natural gas conversion option, its $84 a mega watt hour which is $30 more, you can add an additional onto that. That’s just based upon the regulation. That doesn’t include anything that might have to do with supply. The natural gas is ultimately a good part of the mix. We do have some for protection, but as Don said and as industry standard say, the more you can keep a mix of different fuel sources, the better you are. If you have a coal plant that you can retrofit, that’s your best option which is why all the investors in utilities are doing that.
Commissioner Walters? said it sounds like the two numbers we do know is the $250M and the $100M. BPU Board Member Alvey said correct, yes. Commissioner Walters said you said that you think that the coal is the least expensive option so you must be thinking of some long-term analysis. BPU Board Member Alvey said exactly. Commissioner Walters asked how many years are you thinking. BPU Board Member Alvey said what engineers will say is when they recommend, for instance, retrofitting a coal fired plant, they will safely say, for instance, you’ll get 25 years out of this plant. That’s the conservative. They won’t go beyond that. Commissioner Walters said alright, so you think over 25 years it might be less expensive. BPU Board Member Alvey said yes. Commissioner Walters said so there are a whole lot of assumptions and projections that must be built into that. BPU Board Member Alvey said absolutely. Commissioner Walters said unclear what that natural gas might get more expensive. There might be additional environmental controls required on coal fired plants? BPU Board Member Alvey said there could be, yes. Commissioner Walters said so you must have ran several scenarios. I’m assuming that some lean toward gas and some lean toward coal. BPU Board Member Alvey said this is basically what we were able to come up with based upon all the projections we did that over the long term, the best shot for us is to maintain our Nearman plant as it is. It doesn’t make sense to retrofit Quindaro One and Quindaro Two so they can continue to run coal because of the age of the plants. Commissioner Walters said I understand. BPU Board Member Alvey said Nearman, though, has had excellent maintenance since its beginning, which is one of the reasons why it is so efficient. We are able to maintain a fuel mix that is coal. We will not be subject to the volatility of the supply, the eruptible supply of gas and the volatility of the cost. This drop in price is relatively recent. Historically, if you look at the price of natural gas, it fluxuates wildly. Every time, one of the things we heard very clearly especially from our business and industrial customers at the last rate adjustments, is they do not like volatility in costs. We would have to take the cost of gas and put it on cost of energy, a rider, on the bill and that could fluxuate wildly based upon the cost of gas. In order to provide a relatively stable cost to our customers and maintain a good fuel mix over time and a diversity of fuel supply, retrofitting Nearman is the best bet. You’re question is exactly right.

Commissioner Walters said you’re starting at $150M in the hole with the coal option. I assume at some point in year 18 or whatever, it breaks even or something. In over 25 years, you

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think it’s better to go with coal. **BPU Board Member Alvey** said the coal—like I said, 25 years minimum, we believe, for Nearman. That plant will still be viable decades into the future beyond that. Again, the engineers will only go as far as 25 years for their own professional purposes.

**Commissioner Murguia** asked who’s your consultant on this. **BPU Board Member Alvey** said Black & Veatch. **Commissioner Murguia** asked if you do the work, who is the person that’s going to it. Who’s going to do the work? **BPU Board Member Alvey** said they will do the controls of it. **Commissioner Murguia** asked why would we not have asked a separate consultant from the person that was potentially going to get the work. **Mr. Gray** said we’ll naturally during the –the equipment is sizable and there’s a lot of sophistication naturally to the installation. We will, within the contracts, recommend that they hire as many local craftspeople as they can. **Commissioner Murguia** said I do really appreciate that, but that’s not what I was talking about. It just seems self-serving. What is their motivation to keep the cost of our option at its lowest if they’re going to get the work in the end. I just don’t see why you’d…**Mr. Gray** said it was a competitive process to begin with when we selected Black & Veatch. We interviewed other engineering firms and they presented the best proposal. They are the best…**BPU Board Member Alvey** said the finest in the world….**Mr. Gray** said the best and one of the finest. They’re a global engineering firm. They’ve done projects all over the world and so we’re tapping into that and they’re in their own backyard.

**Commissioner Murguia** said I’m not saying that. What you could have done is hire a consultant from somewhere else and hired Black & Veatch to do the work. I’m not saying they should be rubbed out of the whole deal. I’m just saying it’s the fox watching the henhouse, in my opinion. When you’re talking about $250M, I’d give you a great proposal to do both also. It’s a sure win.

The other option, have you done anything else to get professional second opinions like have you gone to—I’ll just tell you. I just came from K-State. I spent three days there. I spent it in their engineering department. They have flown in a researcher that they hired on a contract who specifically deals with EPA regulations in power plants. She is working with Westar as a consultant. Why aren’t we doing something like that where we could use that person for free and use someone to provide us some, at least a little bit of professional advice and then contract out
whatever work we decide. BPU Board Member Alvey said I don’t know how we would get anybody to agree to work for us for free. I don’t know. Maybe they’re doing it for some kind of educational program at K-State. Commissioner Murguia said it is. BPU Board Member Alvey said I don’t think that would be that for us. Mr. Gray said we were unaware of it. That was not presented to us as a possible option. Commissioner Murguia said I’m not—please don’t misinterpret my question. BPU Board Member Alvey said, right. I understand. Commissioner Murguia said I know you all have done a lot of work on this. I understand it. It’s just a lot of money. Mr. Gray said sure. BPU Board Member Alvey said it’s a tremendous amount of money. Commissioner Murguia said I will tell you, I do have concerns with Black & Veatch doing the consulting and the work.

Commissioner Murguia said my last question is the power purchase agreement option. Since things are so volatile across the board and we don’t know what EPA is going to do and gas prices are up and down and coal is unpredictable, for right now while we develop more of a long-term plan, why would we not purchase power. Is it not available? Mr. Gray said right. BPU Board Member Alvey said yes. Mr. Gray said you’re exactly right; hit the nail on the head. It is not available. In 2010, ’11, the reason why we got into Dogwood and came to the commission about that particular facility, we went out to see if there were any possible utilities interested in providing, which we sent out letters to 22 utilities around us and we only got 2 back. One would only offer a three-year contract and the mega watt hour costs would have been in the 50s dollar range. Then we had one that would offer up to about 2020 but it was considerably higher than $50. That’s why we went and moved to Dogwood and asked for approval to obtain 110 mega watt ownership in it because it was at a lower cost.

Commissioner Murguia said even if you had to pay more though for power purchase, even if you had to pay more for that, there’s a long way to go before you have $250M. I mean you can buy a lot of power for $250M investment. Do you see what I’m saying? BPU Board Member Alvey said sure. Commissioner Murguia said and it buys you a lot of time. Mr. Gray said but we would not have control over the cost of that energy other than the limited—in these contracts, would be options to opt out. Back then, they weren’t sure about some of these regulations that have come out. Now the natural has come out and other things. First of all, I don’t know if there is any energy available if we were to go back out and inquire again, because

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we would have to do that a second time to see if there was any energy available. I guarantee you; they’re not going to give us much in the terms of time.

The other thing is transmission limitations. There are constraints. We’re set up to provide our own coal; our own energy for this community. We’re not set up to bring in all our energy into this community. We had a situation, probably a lot of folks weren’t aware of it in 1999 where Nearman was offline, both our Quindaro units were offline, for various reasons. We had a rolling blackout in this community where we were shutting off customers for about half hour increments in order to protect our system because it was getting overloaded. Here in this particular year, we had a weekend of all things and it wasn’t even during the summer that we had trouble getting transmission of energy into this community. Transmission is a whole separate issue and it’s a whole separate challenge. We can’t just get energy in whenever we want. The system isn’t set up for it unfortunately; it’s just not.

Commissioner Murguia said understood, but there are challenges with all these options. As you’ve outlined here, there are advantages and disadvantages to all of these. It would just be interesting to see written out and thought out the advantages and disadvantages of buying power over a period of time with more of a permanent, long-term strategy in mind. It’s just a comment. BPU Board Member Alvey said the long-term strategy would still be to—we’d still be at the decision whether to go with gas or coal. We either retrofit Nearman to burn coal with the air quality controls, or we switch it over to natural gas and still have to install a SCR on it. Then again, we would have to get a contract for more gas, we’d have to upgrade the pipeline. We would have to, again, we would subject ourselves to the volatility of the cost of gas and the availability.

Commissioner Murguia said when it says though under power purchase agreement options, under meet capital costs, it says there aren’t any capital costs if you were to purchase power. BPU Board Member Alvey said I don’t know if that’s accurate actually because I think one of the things that would have to happen is if we were able to purchase it from another provider, another generator, at this point, there’s no one in the region who has it. We would have to get transmission approval. If there’s not sufficient transmission approval, we would have to pay the infrastructure costs to bring that power here. Energy transmission, in fact, is one of the bottlenecks in the nation because no one wants high power transmission lines running through their backyards. It could take a very, very long time to get additional transmission across even if

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it were available. **Commissioner Murguia** asked don’t we have that already; high power transmission lines stringing across neighborhoods. **BPU Board Member Alvey** said sure, but it’s got to go out of the region. We’d have to go 50, 100 to the next power plant. **Commissioner Murguia** said I see. **BPU Board Member Alvey** said they’re facing, again, they’re facing the same things we’re facing. That’s why Westar and KCPL are converting over to coal because they’re saying we’ve got to hold on to this opportunity that we’ve got. As you saw, even the Sunflower plant in western Kansas has been nixed again. That was a merchant generator, an independent who was going to make money selling the power. You’re not going to be able to build a new coal fire plant and you’re going to be as more and more utilities switch over to natural gas, it’s going to drive the demand up and, in fact, companies because they see right now relatively low natural gas prices, Federal Express, for instance, is transforming one-third of its fleet over to natural gas powered vehicles. Other companies are going to do the same. Manufacturers, they have their own mac rule they have to comply with. They’re going to start using more and more natural gas. What we’re seeing now with the price of natural gas, it’s only because they’ve really started the shell boom and we’re relatively well placed with the Bocken Field in North Dakota, South Dakota, and then the fields in Texas, the Ebol Ford field in Texas, that we have relatively good access to these suppliers. As this develops, there will be more transmission for gas, pipelines built for gas, and that stuff is going to move. It’s going to move across the world. We’re already seeing this with coal. Coal is not actually—there’s more coal being burnt now than there was ten years ago. It’s just not being burnt in the United States. The price of coal is very steady even with the reduction in the amount of coal being burnt in this country because we’re shipping it to India and China. As we’re trying to comply or create better air here, it’s not happening worldwide.

**Mr. Gray** said I also might add too, if we were to go out and try to aggressively get all of our energy and purchasing power agreements, I’ve got about 180 employees. What would I do with them? If they’re not operating the plants, they all live in Wyandotte County and many of them were raised, born here. It’s a heritage. Utilities have been here in this community for over 100 years now. So what do I do? What do I tell them if we’re not willing to—I don’t like this anymore than anybody. I mean I hate it. I don’t understand why EPA doesn’t have a little common sense to give us time to spread the cost. What’s the big rush?
I’ll give you an example. They’re after CO2 now. We’ve estimated that globally if we were to take all the coal plants convert them to natural gas, we would reduce CO2 globally but about 1.8%. Now you’re going to tell me that’s going to positively impact the climate change issue and we’ve caused a lot of damage to our economy in the process. As we’re sitting here not building plants, Germany and China and India and South Vietnam, South Africa all these countries are continuing to build coal. Even Germany who has been very aggressive at renewables and so forth have now backed off a lot on that because the price of energy is just skyrocketing in their country and its causing a problem for low income families. Now they’re starting to get more. With what happened in Japan with the nuclear plant, they are closing all their nuclear stations and they are replacing with coal energy. Whatever we do, there’s going to be more coal built and those are assets that are 50-60 lives. You’re not going to be able to as a global policy tell these countries that they can’t use their coal plants anymore. I mean they’re investing billions and millions of dollars in coal. There’s no way you’re going to tell them. They’re going to want to get the useful life of that asset. It’s just because we’re in—again, we need an energy policy which we don’t have. You’ve asked excellent questions. BPU Board Member Alvey said we’ve been agonizing over this in and out. Mr. Gray said we have. We spent two years with our board answering similar questions as you have raised in presentations after presentations. BPU Board Member Alvey said and in conversations with APPA and they understand and they say we just don’t know what to tell you. The one common theme is if you have a functioning coal plant that you can retrofit within range, you do it because you want to keep your coal generation. That’s the consensus nationwide.

Mr. Gray said and I might, in switching over to the air quality control case, the advantage is only controlled, again, your fuel flexibility. Here’s one not to be overlooked, is fuel storage. We can put coal on the ground and have 45-50 days stored so if something were to happen to the supply line and it gets interrupted for a brief period, no big deal because we can start burning more off of the pile. You can’t do that with gas. If you have an interruption in supply, you’re just down.

BPU Board Member Alvey said with the interruption in supply, what that means is, for instance when he mentioned Lawrence, because of the growth in west Lawrence, those residential customers have prior right to that gas. When you get a cold winter and they are pulling more gas to heat their homes, the supply available to the utility then decreases and so
they say we’re going to cut your supply at this. They don’t cut the residential customer supply or the business supply, but they will cut the utility supply of natural gas.

Commissioner Walters asked they use the same supplier. BPU Board Member Alvey said yes. There are very few suppliers. It depends upon how much pipelines you have. Mr. Gray said we have basically two suppliers. We have one that’s fully subscribed. To enter a contract with one of the key suppliers, we’d be held captive by one supplier basically unless more transmission got installed.

Commissioner Townsend said you mentioned supply, and you may have mentioned this already, how many suppliers are we dealing with, with respect to the coal end that’s not an issue. Mr. Gray said right now we get our coal out of the Powder basin in Wyoming because its low sulfur coal. We get these controls on, we can buy coal anywhere even high sulfur coal because we’ll have the equipment to deal with removing it. Commissioner Townsend said so our options would be expanded. Mr. Gray said yes and we might even be able to get lower cost coal.

Commissioner Townsend said I don’t want to cut your presentation off. We’ve already started talking about money. Here’s the threshold question that I have. Assuming the resolution goes through for the amount of money mentioned here. What would be the impact to the consumer in terms of prices going up, remaining the same, stable, what would be the impact? I know that’s what people want to know. Mr. Gray said exactly. We have some information available.

Commissioner Murguia said I think you guys have done a lot of really hard work and I mean that sincerely. I think, David, what a steep learning curve. You’re not an engineer and utilities I wouldn’t say isn’t normally your business; it’s definitely not mine. Two meetings to get up to speed on a $250M bond issuance is just, for me, very difficult. It’s not that I don’t trust what you’ve done or anything, it’s just that I couldn’t vote to spend $250M without a second opinion at least a second opinion to say this is the best option and put their stamp on it or at least somebody else looking at it. It’s just a huge amount of money and I will admit for the record, I am not qualified to be making utility decisions. I’ll just tell you straight out.

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**BPU Board Member Alvey** said again, this is the problem with the pace of the environmental regulations. I’m convinced that the reason why these regulations are coming down, the number of them and the pace is to put us, decision makers like us, in a position where we feel that our backs are against the wall and what we will do is not keep coal and we will go for the $100M capital costs on the natural gas committing ourselves to the volatility and God knows what kind of regulations are going to be coming down on that. I guarantee you that they will be bringing regulations on fracking. I see no reason why they would not. Because we have to go out and tell people, listen your rates are going up. Why are they going up? Will because we have to do this. They want us to have our backs against the wall and be in this position and to be like where you are and where I am that oh my gosh, this is a huge expense, I don’t want to do it. No one wants so to it. **Commissioner Murguia** said I’m not saying I won’t do it. Don’t misinterpret it. I’m not saying I won’t. **BPU Board Member Alvey** said my point is given how soon we have to move on this, we don’t have the time to perhaps; I don’t know what a second opinion would look like. I don’t know how much it would cost us to get that second opinion. It’s going to be an additional expense. From what I can gather and what I’ve looked at, this is the best option. I understand it looks like it’s the fox guarding the henhouse. I have tremendous trust in Black & Veatch. They’re with us. They understand this is a very difficult situation and they’ve tried to present us with the best option and that’s what I think we’re bringing forward today.

**Mr. Gray** said and Dave mentioned too, time is critical because by April 2016, that’s when we’re supposed to have controls in place. Right now, because of this long process already that we’ve taken in order to get everybody educated and informed, we stretched this out to where we won’t have Nearman available until sometime early 2017. We have potentially almost a year without Nearman available if we don’t get any granted extended time. My understanding is unless the President basically feels it’s a national security problem, you’re not going to get that additional year. **BPU Board Member Alvey** said it’s not going to happen. **Mr. Gray** said we wouldn’t be able to run Nearman without paying a fine or a penalty. We’re already looking at obtaining some purchased energy for that year without Nearman. That’s going to create a little bit of a shaky situation for us because again, we have transmission constraints to get all the energy we need. That’s 235 mega watts that we’re going to have to get in. We’re working on that now to try to secure that. The longer we go—if you want a real detailed evaluation looking

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at what all they’ve done, it may be months before they can come up with any kind of a conclusion. If AQC comes to the same conclusion as well, now we’ve lost more time and it’s going to cost ratepayers even more. Purchased energy is going to be more expensive than our own native flow.

**BPU Board Member Alvey** said I guess what I would say to that is these costs are these costs. There’s no new information or there’s no magic wand for us that is going to defray any of these costs. These costs are what they are. No matter who looks at it, I believe they’re going to come up with the same thing because this is what it cost to install the controls, this is what it would cost for us to go where natural gas would be, if we go to natural gas. We know what a combined cycle plant cost. We know what it would cost to purchase more Dogwood. That stuff is pretty much set. That’s not going to change depending upon who looks at it. No one is going to find anything else. If there’s someone out there, some firm that has a magic insight into this to avoid any of this, they would be my hero.

**Commissioner Murguia** asked don’t you think the taxpayers are entitled to have a second look on a $250M purchase. I mean even if it’s looking over what Black & Veatch has already done. That’s why we have procurement also. I mean I know that you went through that, but I’m just saying that’s the purpose is that we have multiple bids so that we can show that we’ve done our due diligence. I think what you’ve done so far is excellent. I mean it.

**Commissioner Townsend** said with regard to the RFP that went out, was that for an evaluation. I understand that was competitive. What was the RFP for? Was it to do the evaluation and also to provide the service, or was that split up? **Mr. Gray** said the RFP was to basically do the engineering design and oversee the project, kind of representing us along with our own engineers to oversee the construction and all that and make sure it follows the budgeting and all that. That’s basically—it was just what the typical engineering firm will do on a project like this. **Commissioner Townsend** said I guess what I was thinking was this was two separate steps going back to what I was listening to Ann discuss. The first step would be to evaluate what would be the best of these options. What out of our options was the best option. Was that a separate contract? The second would be, this is what we see and then now was there a separate offering to actually perform that work? **Mr. Gray** said granted we still used Black & Veatch but our own staff was also involved in pulling the numbers together too. This was not independent

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of our own engineers. Our own engineers were working with them step-by-step in crunching the numbers, so to speak, and reviewing their assumptions and all that type of thing. Our people were involved in it too. Commissioner Townsend asked as in doing the analysis to arrive at this set of options. Mr. Gray said yes, on these options. Commissioner Townsend asked so the RFP was then just to do the work. BPU Board Member Alvey said to pull together all the information to try to give us some kind of advice about how to proceed with this. All that was gathered into it. Again, as I’ll repeat this, I don’t believe there is any additional information that would say to us these options are any significantly different. We know what the costs would be to do a combined cycle on our own. We know what the costs would be to go out to Dogwood. We know what the costs would be to try and get purchased power if it were available. All those things are well known. Commissioner Townsend asked and this analysis took how long to do. BPU Board Member Alvey asked how old am I. Mr. Gray introduced Don Wobb. He oversees the electric production side.

Dong Quach, Director Electric Production Maintenance, said I work for Don Gray. I personally have spent almost three years on this project. I’m sure you remember Darrell Dorsey who was my previous supervisor. He and I and John personally, I would say, we’ve been looking at this for at least three years. The conclusion we come up, these are the options. Black & Veatch in a sense is like a consultant; a second opinion. This is what we pursued. We wanted them to take a look at it as well just to make sure our assumptions moving forward were correct. In a sense, they are the second opinion. For example, Darrell Dorsey and I and John Frick we would not come here to ask the commission for $250M.

We need to have good engineering support and Black & Veatch precisely does that. Black & Veatch have been working on this project since August 2011 and we have spent thousands of man hours and millions of dollars already. Black & Veatch will not get $250M. They will get an engineering fee. I will say probably 10-15%. Typically the engineering fee—excuse me, I am a little bit nervous here. The engineering fee typically runs 10-12% in our scope of work. So there portion may be $25M. The rest of that would go to specialty equipment suppliers, for example O’Reilly Power, maybe Safe Engineer will do the control or a construction company. I just want to make sure you don’t misunderstand that they get the money. No they don’t. They get probably 10% out of that.

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Commissioner Murguia asked how much have they made since 2010 or 2011 as the consultant. Mr. Quach said we have been paying roughly about $200,000 a month. Commissioner Murguia said you said earlier that you’ve already spent millions. Mr. Quach said yes we have with our internal staff and Black & Veatch. What I saw two months ago, we probably paid them about $1.8M. Commissioner Murguia said thank you. Mr. Quach said our whole staff we probably have full-time and part-time equivalent to at least five or six people working on this project. John Frick is one engineering director, he works full-time and right now I myself I dedicate full-time efforts to this project. This project is critical to BPU, very critical to utility and very critical to the UG as well. I will do whatever it takes to make sure we make sound good engineering judgment for this project and move this project forward. I have been around in the power industry for twenty-someth ing years already and looking ahead, there is no other way to go except the air care control for Nearman. I can bet my career on that part. If you look at BPU you can get another consulting firm to look at it, spend maybe six months to a year to review our studies, including Black & Veatch and I can assure you that they will come to the right and only one choice which is air care control for Nearman; the same conclusion that we have been doing. Sorry, I tried to pace myself. Mr. Gray said no, I appreciate you. BPU Board Member Alvey said it’s tough. Mr. Gray said but our staff has been looking. It’s a good point Dong made that we did a lot of preliminary work when we hired Black & Veatch we asked them to review our assumptions to the various options and so forth so then it became the second review by an engineering firm outside of our utility. That’s a good point.

Just to summarize, under the circumstances the installation of ATC at Nearman is our best long term solution. It’s greater than 30 years. I think we can extend the life of Nearman with proper maintenance and we have already done a lot of maintenance to it anyway, but 35-40 years. It’s an excellent plant if you have been. I invite you to come down and take a tour and visit it. It’s quite an asset for our community. Again, it would meet the current; it’s the current environmental compliance. We have the fuel diversity in storage, stable fuel costs, especially for Nearman, competitive market generation. If we stay with coal and keep that cost low we would be able to put our energy off of Nearman into the market and we could compete and sell our energy into the market and that is critical. It maintains local control, utilizing BPU staff, it is the most cost effective and least risked option because anytime you start importing energy in, you

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have got the transmission issue. We would then control all utility costs and help support economic development. Next, I will have Lori talk a little bit about our debt and how this will be financed.

Lori Austin, Chief Financial Officer of the Utility, said what this graph is looking at is our overall debt service. The blue represents our current debt service of both our electric and water utility. The yellow section identifies as we have spoke of being able to finance this over multiple issues based on the cash flow of the project. The yellow represents doing a bond issue upon approval in 2014 of approximately $100M. That is the debt services associated with that. We would anticipate doing a second bond issue in mid 2015 of $1M. The question was also was asked, do we have any additional capital needs over our next five years. We have done a five year plan as part as our cost of service, we have identified over that five years that there is about a total of $100M of additional capital needs outside of the air quality that we potentially would need so if we did a bond issue around $50M for additional projects. Now that would be based on the time we come up for review of our budget and if those projects are still viable, if they are still needed. We will evaluate those additional projects upon each year.

The last bond issue to complete the project would be in 2016. That’s the kind of dark green at the top there. That would be around the $50M range and we would have a better idea of what that true cost would be once we got to 2016 as to how much, if we would truly need the

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$50M or if it would come in a little bit less and then the additional bond projects based on a five year plan of the $50M. That’s a conservative look at our structure. We do have some opportunities when we go to fill in the debt payments over time and our goal would be to try to limit or reduce the 2017 through 2021 until we have some debt dropping off in that future year. We have some potential of deferring principal for a few years in order to minimize that impact during those years. Mr. Gray said out of debt in 2046. Commissioner Murguia said I’ll be dead. BPU Board Member Alvey said I’ll be dead and I’ll still be in debt.

Mr. Gray said just some closing thoughts; again, as you know BPU infrastructure is critical to the future economic development of Wyandotte County. Currently we provide, with all the free services that we provide the Unified Government and PILOT and so forth we provide in value about $44.1M and this was in 2012. An infrastructure investment is required now to maintain the fuel diversity across the fleet and allow BPU to deliver the lowest cost of electricity to its customers. Also low interest rates and tax exemptions status make this an opportune time. There has been discussion of eliminating the tax exemption and so that would be a real worry for not only us but the Unified Government and any public entity if they were to do away with that.

Now I bring this up just as a thought, in this PILOT issue in 2017. My understanding and I mentioned this to Commissioner McKiernan that the STAR bonds out at the Village West area, hopefully will be paid down by then and that the Unified Government will start collecting the sales taxes. We have always been at the plate to help the Unified Government and we always will. That is also a part of our legacy. We were there to assist and support the Unified Government when they came to us to increase the PILOT. What I would just simply ask, I am just planting the seed now. It could be of help to us to just to consider reducing the PILOT at think about it in 2017. I offer this comment, through 2008 the PILOT was 7.9%, if we could reduce the PILOT down to that 7.9% just a consideration, it would pay for about half the debt of financing for the project. Just a thought.

Commissioner Townsend said this is a tricky—BPU Board Member Alvey asked did we answer your question. Commissioner Townsend said you may have but I didn’t know that you did. So I would just be interested in knowing if there is any projection already done as to what the passage of this would mean to everyone's basic bill.

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Ms. Austin said I was getting ready to go there. This is looking at an average residential customer. 2013 would be our current rate and also on top of that is the PILOT. We have the ESC is the environmental surcharge and that environmental surcharge is the rider that we have in place to pay for environmental mandates. What it does is captures costs for the principal and the interest of the debt that we incur so it’s a 1:1. The ERC is our fuel rider and that captures the actual costs so that we collect whatever we purchase. In this scenario the ERC and the base rates don’t change. The impact is in the ESC. Currently right now the impact to a residential is a dollar a month. Commissioner Murguia said on what bill. Are you suggesting that someone in Wyandotte County has a $100 a month utility bill? BPU Board Member Alvey said electricity cost. Ms. Austin said it an electricity cost on an average customer which is about 800-900 kilowatt hour utility bill. After the first issue of the $100M it would be $5 a month once we implemented the entire or I’m sorry the $15 would be the $200M. Once we implement the full $250M it would be $9 a month. Commissioner Townsend asked is that $9 in addition or that is— Ms. Austin said it goes from $1 to $9. BPU Board Member Alvey said with my kids, I am looking at more than $9 a month because my average is more than this, just to be clear. Certainly business and industries would see a higher because obviously the environmental

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surcharge is levied on the electricity usage. The more electricity you use, the more that surcharge goes up. Commissioner Townsend said but the ESC amount is directly related to us passing the amount. BPU Board Member Alvey said yes. Mr. Gray said it is set up as a pass through. The customer…we don’t—we just collect what we need to pay the principal on the interest rate.

Chairman McKiernan said thank you for your presentation and giving us a thorough background on where we have come to at this point in time. I guess our job now is to resolve how we are going to move forward with this. The request for action is to authorize the resolution that then authorizes the issuance of utility system revenue bonds. Commissioner Townsend said repeat that again if you would, Mr. Chairman. Chairman McKiernan said basically we are being asked to move forward a resolution authorizing the issuance of utility system revenue bonds for the purpose of providing funding to finance improvements to the utility system with a total authority total requested at $250M. Authority requested, not necessary bonds issued. BPU Board Member Alvey said I make a motion to approve. Commissioner Townsend said based on I’ve heard, the top, what’s been done the time constraints that we are under, we will be forced to comply with, the likelihood we will not get an extension. I’m not sure any other option would be reasonable. I understand, commissioners, her concern based on what I heard it sounds like BPU’s internal experts look at this, brought on Black & Veatch who have come to the same conclusion. A lot of these components won’t change so I would move that we move this forward to the board as presented and adopt the resolution.

Commissioner McKiernan said I will discuss just briefly, when the BPU Board passed this resolution to bring this forward to us. There were a couple of the members of the board who said that they were going to really be taking a close eye and taking a close look at controlling the controllable expenses within the BPU as budgets are passed over the coming years. I’ll just echo that I think that is absolutely critical that we take a good hard look at how we control expenses above and beyond this that are truly within our control at the local level. I echo the statements that several BPU Board Members made that they will be looking very critically to make sure that we follow through on controlling expenses at the local level.

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Commissioner Townsend said one other thing I would like to add, I don’t know that the intention is but I would certainly like to see this presentation made again to the body as a whole. This is the second time I have heard it, and it took at least that long because we really didn’t get the opportunity to ask this level of questions and I am sure that the public would want to know particularly what that will mean to them in a day-to-day, how much is this going to increase my utility bill. I think the public should be given the opportunity. I don’t know if a hearing would be requested or needed, just so they could comment.

Commissioner McKiernan said to the best of my knowledge if we approved and moved this forward, we could still request that on the night that it is brought full commission that BPU make a presentation to the full commission. Mr. Gray said certainly. BPU Board Member Alvey said no I think that is absolutely necessary.

Commissioner McKiernan said we have a motion and a second, is there any further discussion. Commissioner Townsend said with that amendment. Commissioner McKiernan said fair enough.

Action: BPU Board Member Alvey made a motion, seconded by Commissioner Townsend, to approve the resolution and that BPU make a presentation to the full commission. Roll call was taken and there were three “Ayes,” Alvey, Townsend, McKiernan; and two “Nos,” Walters, Murguia.

BPU Board Member Alvey said is it—Chairman McKiernan asked Jody what are our options at this point. Jody Boeding, Chief Counsel, said do you want to reconsider it before going to the next item. Chairman McKiernan asked is there any will around the table to reconsider this item. BPU Board Member Alvey said I would be very interested in knowing why we would not move this forward. Do you see something that I don’t see? Commissioner Walters asked do we have a motion to reconsider on the table. BPU Board Member Alvey said I don’t know what is required. I am making a motion. I make motion to reconsider. Commissioner Walters asked is that—Ms. Boeding said it is in order. Commissioner Walters said okay. I thought a motion to reconsider had to be made by the minority. If you would like to talk about it some

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more, that is fine with me. I asked you the question; I am concerned about the amount of debt and what is going to happen in the future that no one can see. I think we need to get out of the coal business, understanding that lack of each thinks otherwise and maybe all of you think otherwise. I just see us spending another $100M five years from now on more EPA regulations and five years after that another $100M on more EPA regulations until we are saying, man why don’t we just convert this thing to natural glass. It is clearly the way the government wants us to go. You have kind of alluded to that. I think with $100M project, surely you can build that quicker than a $250M project but it might buy you a little bit more time to consider. I fully agree that it is a tough decision. The most compelling argument for the proposal to me is the diversity of fuels at the end of the day. I am just not convinced that we will ever see the benefit of spending the other $150M.

Chairman McKiernan said if I can say, I agree that it is an absolute enormous amount of money, but after having thought and read quite a bit at about at just from my level, I am not sure that I see any alternatives and frankly I am just from my perspective of reading I am very concerned about the volatility and the future potential supply of natural gas. I just read another article yesterday suggesting that and again there are two sides to every argument but suggesting that the early rush or the early high supply of gas coming from fractured shell was in fact going to begin to taper off at a very high rate now and we might actually enter a condition where even with fracking we are not able to recover as much natural gas from the shell and therefore supplies are going to start going down and costs are going to go up. Based on what I have done, in terms of reading I really don’t see—or I am really more concerned about natural gas as a potential future option and I can see a situation that we might pay more for and have less supply of natural gas as we go down the road. Commissioner Walters said it is possible, but we are converting the Quindaro plant to natural gas right.

Chairman McKiernan said to the best of my knowledge, correct me if I am wrong that it supplies a small fraction of our total power and that given its construction and given its age it is the most cost effective solution for that plant. BPU Board Member Alvey said and it is already dual fueled. In other words it was built to natural gas oracle so the conversion is not really a conversion as much as it is switching over. The other thing I would suggest is if we, long-term,

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the $250M over a long-term is going to be cheaper and it does give us more control over our fuel mix. It allows us in fact, to keep this investment in our community. If more controls come on coal fire generation that would be applied nationwide, at that point I do believe there would be sufficient political force exerted to put an end to this. These past four years have been unbelievable. It’s almost as if it was pinned up for eight years, ten years, whatever it was and now they are forcing the issue, but these things come and go and if they try and force coal completely out then simply there would be a reliability problem in the country and that would be the limit to what they try to do in terms of coal. Commissioner Walters said if I understood what you said correctly it’s really not the government as much as the citizen’s lawsuits that are forcing the schedule acceleration. It’s a movement to get rid of coal. BPU Board Member Alvey said it’s a couple of things. It is that but it is also the EPA itself and there is— Commissioner Walters said they were kind of dragging their feet until the citizens’ lawsuits started happening. Isn’t that what you said? BPU Board Member Alvey said yes, but there are actually those in Congress who are trying to now to bring this in a little bit. They keep getting close, but they haven’t been able to move in the Senate. No one is moving anything in the Congress anymore.

Commissioner Townsend said taking this out and extending this out, where would we go from here, if this doesn’t move forward. What would we tell the BPU and the experts to do? Where would we go from here? Commissioner Walters said I would like to call them to the natural gas conversion. That’s just me. BPU Board Member Alvey said again, I would suggest that what that subjects us to is interrupt the ability of supply, reduction of costs. We would not be able to dispatch this as frequently. We would be underutilizing that investment over time and actually in the long-term that would be more costly. Commissioner Townsend asked how would we achieve that. You said Nearman is not fitted for that, where Quindaro 1 and 2 were dual fueled systems anyway, so we’re talking about building something new from scratch to accommodate natural gas. BPU Board Member Alvey said yes, that would be to replace 235 megawatts. It generally runs about, if I’m right, about a million dollars per megawatt for a combined cycle. Commissioner Townsend asked wasn’t column two converting Nearman to gas. BPU Board Member Alvey said converting Nearman to gas but if I understand right if you go—this was not built for natural gas, so that will shorten the lifespan of Nearman. Mr. Gray

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said we wouldn’t operate. We estimate the only—less than 25% operation with them because of the costs. **Commissioner Townsend** said ever, or just during the period of conversion. **Mr. Gray** said ever. It’s just a combined cycle plant is much more efficient to operate than a part coal plant, converting it to gas. **Commissioner Townsend** said so then we have a deficiency of electricity available. **Mr. Gray** said we would be vulnerable to the market. We would have to buy more energy from the market and we would have to rely on the transmission and hope that we could get the energy in when we needed it. So we would be going down that path of—**Commissioner Walters** said are you saying, if I am understanding you correctly, we spend $250M to generate energy more cheaply. Do you just ignore the $250M investment? **BPU Board Member Alvey** said no, no, no, it’s built into—yes, I’m sorry.

**Joe Jarsulic, Director of Electric Supply Planning,** said just to put it in perspective, I know that $250M is a big number okay, and I am hearing everybody’s concern. It is a big number but I just want to put it in perspective. Last year we spent over $80M on our fuel to purchase power. You are looking at three years worth of energy where we are operating our utility here right now. In 2008, gas prices went up. We had three coal plants. We spent over $90M. That is a big fluctuation; we are taking a lot of risks if we don’t keep some coal unit online here. I guess the bottom line is this is our lowest risk option. If we got rid of Nearman and put it on gas, our risks goes up, but if gas price goes up, our costs could go up. That $250M can evaporate very quickly. That’s the risk that you are taking.

That one slide that we had up here with the ESC showed a $9 increase, that’s a pass-through, so is our energy costs. Our energy can go up dramatically more than that $9 variation. Anyway, I know that $250M is a lot money, but our business is heavily capital intensive and you have to put capital in there to get the low price energy to come back online. You are looking right now, if Nearman was running on gas, just the fuel cost, just twice what it cost to run on coal. If gas goes up, a couple of dollars, $2 dollars, it’s just going to double again. There are economies of scale there and there are exponential factors that are involved in that process.

**Commissioner Walters** said $53 is the current operating cost per megawatt and then at $4 which is what you said current gas prices are at $61. **Mr. Jarsulic** said no, there are a lot of different costs that are included. **BPU Board Member Alvey** said well, no, the 50—**Mr.
Jarsulic said well they try to make that comparable. BPU Board Member Alvey said no, the $53 is what it will cost with the air quality control installed, compared to— Mr. Jarsulic said that also includes the cost of the debt service on the air quality control equipment as well. Also to put the cost in perspective, you are discussing why don’t we just buy the power or replace that power just to bring it here, not the cost of power, just the transmission to bring it in, if we can get the transmission, is going to be $5M a year. It is a big number, but it is the lowest risk option that we have right now. Mr. Gray said we do have detailed numbers. These are summary numbers. We do have detail that showed the investments, the capital investments, the fuel cost and so on and so forth and how we come up and derived these numbers. I apologize I didn’t make that clear but that $53 includes all the capital cost and projected fuel cost of debt services so forth is in that value.

Commissioner Murguia said can these guys, if this doesn’t happen tonight. Can they come back at anytime or what’s the process on that? Are they not allowed to come back for a year? I thought there was some rule about that. Mr. Bach said you are thinking of Planning & Zoning. Now they could come back. I don’t know that timing and the bond issue. Laurie or Lew you would have to speak to that, as far as timing and rolling the project out. They could come back at your next meeting. Ms. Austin said our estimated timeframe for doing the first issue of the bonds was late first quarter, early second quarter in 2014.

BPU Board Member Alvey said the big part of the difficulty here is because this is so complicated and this is so rapid that it is hard for us to absorb and really process the decision that we have to make but because time is of the essence unfortunately because of the way they are running out these regulations if we take another vote to move this forward and before—when is the next commission—where do they go? Chairman McKiernan said December 2nd I believe, somewhere around there. No, I’m sorry the next standing committee meeting would be December 2nd, the next commission meeting would be the—Mr. Bach said November 21st. Chairman McKiernan said following this meeting. BPU Board Member Alvey asked would that be sufficient time because I understand if after if it moves forward and you decide at the commission vote to vote against it, certainly that is your prerogative, but if we could move this forward and bring it again and give us an opportunity to answer more of your questions and

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process this more completely, maybe that would work. I understand this is as I said, it’s a steep learning curve and we’ve been looking at this for three years.

Commissioner Townsend said just one more question, just to play this out I am thinking, if we converted Nearman, however you do that, to natural gas; we have already said the expectation is it would run at a quarter of its present usage, so we would have a deficiency. What would be, in a crazy world the costs and expected timeframe for building a new plant that would run just on natural gas? What kind of numbers are we talking then? Mr. Gray said it takes several years and it should be up there. New gas power plant options. It depends what size of unit you built. To replace Nearman it would be about $312M and to replace all the coal units it would be about $455M roughly and that’s—these gas plants now; they don’t get the useful life that a coal plant does. Commissioner Murguia said so wait, are you saying it would cost $250M to retrofit our thirty-something year old coal plant but only $455M to build three or four new plants? Mr. Gray said no, that would be to replace Nearman and Quindaro. Commissioner Murguia said but rebuild one plant that would meet the needs that it would have that globalized—Chairman McKiernan said but with a raw fuel charge that could be double, triple or unavailable. Yes, that’s the cost of building the plant when you look at the cost of coal versus the cost of gas even today there is a cost differential and as I said earlier—Commissioner Murguia said but that weighs out Brian. I mean they are talking about also—I mean are they going to cut us off from coal completely. We don’t know that. I mean you are betting on your—everybody here is guessing. Everybody is guessing. You know what, I am not even in a position and I admit on the record for the newspaper.

I am not qualified to sit here and argue with anyone about whether coal or natural gas is the best option; maybe you all are much smarter than me. I didn’t go to engineering school and I don’t read those publications. I am just telling you that I agree that there’s risks and really to me it is like a shot in the dark because we have no idea.

They have been pounding on coal like crazy. They you are saying no, there might be the price of natural gases issue. That’s the deal, my deal is this, I agree with everything that Jim said, except I can’t speak to the coal or the type. I am definitely no energy expert but what I can tell you is that if I didn’t know I would try to buy as much time as I could. I like the option of buying power. If we are going to give you $250M, I mean the worst case scenario we spend

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$250M in buying energy and then at least we are not investing in something we will have to fix again and again. I have the same concern Jim does. It is $80M in Dogwood, $250M today and $100M a year from now and another $250M, I mean when—pretty soon Lew’s going to say we don’t have a credit card anymore and we can’t issue bonds.

**BPU Board Member Alvey** said even if we purchase power from another supplier, if it were available and if we could get transmission. They are also facing the same constraints on regulations. They are also having to look at coal, the future of coal and the future of natural gas. We are not going to escape those constraints if we go out and purchase power. We are just shifting it to someone else and we have less control over those costs and our supply than if we keep it home and that’s the problem. **Chairman McKiernan** asked Laurie can you go back to your second slide,

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<tr>
<th>Option</th>
<th>Air Quality Control (Base Case)</th>
<th>Natural Gas Conversion Option</th>
<th>Additional Dogwood Option</th>
<th>New Gas Power Plant Option</th>
<th>Power Purchase Agreement Option</th>
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<tr>
<td><strong>Generation Costs</strong></td>
<td>$53/MWh</td>
<td>$61/MWh @ $4 gas</td>
<td>$66/MWh</td>
<td>$56/MWh @ $4 gas</td>
<td>$78/MWh @ $6 gas</td>
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<tr>
<td><strong>Capital Costs</strong></td>
<td>$250 M</td>
<td>$100 M (includes SCR)</td>
<td>$175 M (N1)</td>
<td>$255 M (N1, Q1 &amp; Q2)</td>
<td>$312 M (N1)</td>
</tr>
<tr>
<td><strong>Advantages</strong></td>
<td>BPU owned and controlled</td>
<td>Lower capital costs</td>
<td>BPU owned and controlled</td>
<td>Lower maintenance costs</td>
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<td>Fuel flexibility across fleet</td>
<td>Lower overall environmental impact</td>
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<td>Higher efficiency combined cycle power plant</td>
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<td>On-site fuel storage</td>
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<td>Protects economic development</td>
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<td><strong>Disadvantages</strong></td>
<td>Higher maintenance costs</td>
<td>Higher generation costs</td>
<td>Natural gas price volatility</td>
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<td>Stranded capital costs</td>
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<td>Risk of additional semi-coal environmental regulations</td>
<td>Natural gas price volatility</td>
<td>No direct control</td>
<td>Investment outside of Wyandotte County</td>
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<td>Reduced utilization (&gt;25%) and market sales</td>
<td>Interruptible gas supply</td>
<td>No direct control</td>
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<td>Loss of fuel flexibility</td>
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<td>No on-site fuel storage</td>
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which I believe was the cross comparison. These are all of the current electric generating plants operating in roughly a seven state Midwest area. Is that correct? **Mr. Gray** and **BPU Board Member Alvey** said yes. **Commissioner Walters** asked all of them. **BPU Board Member Alvey** said no, no, these are just representative. **Chairman McKiernan** said well if it is representative sample including some that are close to us in terms of geography all of these

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plants are choosing to add controls rather than purchase power, rather than convert to gas, rather than build gas. Is that correct? Mr. Gray said well they may in some cases they may be adding some gas but they are protecting their critical assets which are the coal plants and they’re making these investments. Chairman McKiernan said the cost in the far right column then are the dollars they are spending on air quality controls to protect their current coal bearing capacity. Mr. Gray said yes. BPU Board Member Alvey said I will say this, if we protect Nearman, the value of that asset will only increase because it will be a well maintained functioning coal fired plant. That’s why these investors are putting the money into their coal fired plants because the asset means that much to them.

Commissioner Townsend said well the other thing I thought about looking at the other slide too is, and the reason I asked the question about starting from scratch with a new plant, if we are talking about having reservations over spending $250M now, we were almost at $500M for the construction for the new plant for gas plus the volatility issue and supply. If we are having a hard time now with $250M, jump it up another couple $100M. BPU Board Member Alvey said and at the same time again, combined cycled plants do not last as long as coal fired plants. I don’t know why, but— Commissioner Townsend asked what’s the expected remaining life on Nearman after if we do this filtering process. Mr. Gray said we estimate roughly 35-40 years additionally.

Chairman McKiernan said Jody help me out with this if you could please, in the absence of the motion to reconsider from the minority at this table today are the options available to us are for them to bring an updated proposal to our next EDF meeting which will be on December 2\textsuperscript{nd} is that correct. Ms. Boeding said correct, unless you would want to go directly to the full commission. That would require the mayor’s approval to allow it to go directly to full commission since it has been to this committee. I don’t know if you want to do that or if the mayor would. Chairman McKiernan said so we have the option to bring back an updated and amended proposal to the December 2\textsuperscript{nd} Economic Development and Finance Committee meeting. At this point and time we don’t really need a motion or a vote for that. It simply exists as an option since the previous did not pass.

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Commissioner Townsend said point of clarification, with the request for motion to reconsider; it has to come from whom. Ms. Boeding said Commissioner Walters says the minority and I am not in a position—I don’t know the answer. Commissioner Townsend said and the only reason I was wondering about that. I don’t know because I haven’t that level of detail but just thinking about how the motion was defeated without pass, it seems intuitively it would be the opposite because the motion moving forward failed, so we would be the minority. Ken Moore, Deputy Chief Counsel, said it would require someone that didn’t vote for the motion to want to bring it up for reconsideration. Commissioner Townsend asked why would they. That’s what doesn’t make sense to me. Ms. Boeding said it is going to take one of them to vote if they were to agree to pass the motion for reconsideration. Commissioner Murguia said otherwise we would just keep reconsidering and we would never get anywhere. So why reconsider unless one of the other people that have voted no are actually going to reconsider. Commissioner Townsend said and that’s what I am saying, why would they even bring it up. They go to this thing anyway—I mean it’s good that it came up because we had a full discussion. Ms. Boeding said sometimes there is a mistake, there’s new information. Commissioner Townsend said it was great, that full discussion, our options again. Ms. Boeding said I think the chair stated it.

Chairman McKiernan said as I understand it, our options are if there is a motion to reconsider at this table from someone that is in the minority of the previous vote then we can have a motion to reconsider and there will be another vote. Otherwise, they are free to present an updated proposal at our December 2nd meeting, at which time we can again have a presentation and some discussion and at that time another motion can be made and another vote can be taken. Commissioner Murguia said or the mayor can just move it to full commission Chairman McKiernan said or the mayor could just move it to full commission. Commissioner Murguia said and just go right over. It’s up to him. Chairman McKiernan said that is a possibility. BPU Board Member Alvey said my concern would be the risk of wasting our time. We have to find a way to either convince you that this is a necessary, important and the best option to move forward. We are going to have to make sure that we answer your concerns. I will be contacting you and staff will be contacting you prior to that next—either if the mayor decides to move it forward, if not that’s fine, if not we bring it back. I don’t even think we need to do this.
presentation over, clearly but we have to answer the specific concerns that you have. Thank you for your presentation and if you wish you can bring an updated presentation on December 2nd.

Given the current hour and at the risk of releasing people who will never come back to the table, if we could take five minutes.

Chairman McKiernan said we will reconvene the meeting at this point and time. Thanks to everyone for making it a very timely break.

**Item No. 2 - 130370... DISCUSSION: NORTHPOINT DEVELOPMENT MULTIFAMILY PROJECT**

**Synopsis:** Discuss NorthPoint Development’s proposal for a luxury market-rate multifamily project on the underdeveloped portions of Project Area A and the entire Project Area B of the Mission Cliff TIF district, submitted by George Brajkovic, Economic Development Director.

**George Brajkovic, Economic Development Director**, said I want to talk about a potential project. We have been working with NorthPoint who I’m sure you’re very familiar with them. They are doing a lot of projects in our community, but specifically tonight about Mission Cliffs. With respect to time, I am going to keep my comments very brief, but I think I’d be remised if I didn’t give you a quick history about the project area.

At 39th & Rainbow, you see the new hotel project and the Phase II of 39th & Rainbow that’s under construction. If you follow 39th West, eventually it turns into Lake Avenue and then it feeds into Mission Cliffs. There were two project areas A and B within that TIF. To give you an idea, Project Area A TIF plan was approved in 2005, it contemplated 64 townhomes and 14 single-family homes, that’s Area A and it translates to Area A on the aerial that was take earlier this year. Of the 14 single-family homes, about half of those were built and of the 64 townhomes only about half of those were built. We checked the tax records and the last time there was a construction project here was about 2008.
In 2009 there was an amendment to that plan to reduce the number of townhomes and increase the number of single-family but nothing really happened with that. As far as Project Area B represented there on the TIF map and it is this large vacant tract, the TIF plan was approved in 2008 and there were never any improvements started. It contemplated I believe 20 single-family homes and 12 townhomes. In terms of Project Area A for the product that was built, the townhomes were always contemplated to be owner occupied but the inability to sell those, there’s a large portion of those that are leased at this time. Through recent discussions we found at that at least one of the single-family homes is also a leased property. Commissioner Murguia said the one on the corner. Up, down from there. Yes, right there. Mr. Brajkovic said it is a TIF project, UG backing on the bonds. There is about $4.4M in debt. Long story short, when the product that was built produces about $115,000 in TIF revenue, at best, that leaves about a $75,000 gap to service the debt that we have here. At worst, it leaves a gap of $126,000 to service. It is underbuilt and underperforming as a lot of our residential TIFs are.

As you recall we talked about Escalade Heights here not too long ago, but what this project does do and with NorthPoint’s proposal it allows us to fulfill some pieces of the Rosedale Master Plan as well as the 39th Corridor Plan by creating a pedestrian connectivity from Rainbow back to the Mission Cliffs’ area. In fact there are discussions going now, Commissioner Murguia kind of got that ball rolling with Lane4 and their Rainbow Development here. The project itself would be sidewalk improvements, lighting, targeted redevelopment, shuttle service to the hospital and university. So the partners there are KU, the hospital, Lane4, NorthPoint, Unified Government and BPU. I think that if this project moves forward, you’ll see that corridor improvement commitment solidified. What is it going to take to get this project in, right? The TIF Area A has never been developed as well as B. Those TIFs would have to be dissolved. We have done a lot of multifamily projects so you hear us talking about the IRB model, using multi-family revenue bonds to create a ten year PILOT. That’s the structure that works for the developer.

The issues here though, you can image the frustration of the existing property owners that have never seen what—I think they would argue what was promised to us has never come to fruition and we have had a few other failed projects proposed here. City Vision came back with a senior low income housing tax credit project proposed there, the single-family developer that’s purchased these lots from City Vision, his name is David Shikiar. We worked with David to try

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to recreate a single-family option on Project Area B and it’s just not feasible with the amount of
time that is left on the TIF. That’s my brief comments to kind of tee it up and introduce Brent
Miles and Mark Pomerenke with NorthPoint and really have them tell you what their vision is
for the site in regards to multi-family project.

Brent Miles, NorthPoint Development, said just a brief introduction, most of you know me personally and know who our firm is. We have about 300 luxury units being built at 110\textsuperscript{th} &
Parallel. We are seeing a tremendous amount of interest in that product. Some of you have had
the fortune to come out and see it. I always open up an invitation if you want to come out and
see it again. It has really taken shape over the last couple of weeks here.

Our pedigree is we do luxury apartments. We do industrial and we do luxury
apartments. When we do multi-family, it sounds simplistic but we only do luxury. We don’t do
anything that is sub $1.03, $1.05, $1.10 rent per square foot. We get approached on a lot of
projects to say well could you build a garden style product in Overland Park or something like
that and we have a very simple prototype. We build the same units over and over again. We just
pick locations to do it.

We did our first product at Briarcliff, our second product at 64\textsuperscript{th} St. near Parkville, our
third product is at 110\textsuperscript{th} & Parallel, primarily targeted at young professionals, primarily the
Cerner professionals to be quite blunt. From a 50,000 ft. view we always wanted to do
something near the campus. We think the amount of professionals, researchers and everybody
knows about the NCI designation and we have always targeted that as an area that we want to
explore.

Very bluntly, we would much rather do it on the Wyandotte side than the Kansas City,
Missouri side. We feel like we have a good working relationship with the Unified Government.
What you see, the interiors we would propose here would be the exact same that we had at those
previous projects I mentioned, Briarcliff, Parkville and Village West. The difference being is
that we typically build 300 units and this site can really only accommodate about 200 units.

It would be the same fitness center, same pool, a salt water pool and fitness center. We
are on the bubble on whether we are going to build a theater. We typically build a movie theater
inside our clubhouse. We are not sure if we have enough to warrant that here. I think one very
big positive for the neighborhood is that we have offered the clubhouse, the pool and all of our

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amenities packages to the people who live in the townhomes and the people who live in the single-family homes. We want to really create a good sense of community so it’s not just for our residents but all residents of the area.

I’ll probably go through, when we are finished here, just a list of questions. We have had three neighborhood meetings. They weren’t the required prescribed neighborhood meetings. We wanted to get a sense of where the community was early. From our very first meeting to our meeting that we had last week we made eight plan revisions, sort of inline from what we heard. For example, that apartment building is in my backyard, can you switch the clubhouse with that building, yes. That trash compactor is in my backyard, can you find a different location for it. We have been through a series and we have sent the new plan back to the neighborhood after our meeting asking for further feedback and we had about ten folks that came to the last meeting who did not come on tours.

We provided transportation and tours to our other products to say here is exactly what we are going to build clubhouse unit wise. We had about ten folks that couldn’t make it so we have also offered back up to say if there is as night or weekend or something where you got a work schedule that didn’t allow you to come to the first two meetings, our schedules are open to bring you up to our units and see what we do. All told, again, project wise it is about 200 units. The rent will be the same or maybe a little bit higher than what we are charging at Village West, so more than market rate, a very luxury rate.

We’re still trying to decide on a movie theatre that has been discussed, but it has a clubhouse, a salt water pool, the fitness center. There’s a trail that goes around the single family component that was never maintained; it’s overgrown. I know it’s been a big concern for the people who live there. We made a commitment that because we see a benefit too that we’ll basically clean up that trail. I’m not sure if it needs resurface, redone. Whatever it takes, we’re going to basically get it back up to a standard working use for the entire neighborhood to use.

George talked about the improvements down 39th. We’ve got to finalize all this, but we’ve had really good conversations with KU to provide security down the corridor to our product, to provide shovel service basically between the cancer center, the university, and our product, kind of a triangle if you can picture that. We’re even in some negotiations with them about extending their Wi-Fi camera network down 39th so that it would be closed-circuit monitored by the KU Police Dept. We’ve had very good meetings with them.

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We feel that professionals from the campus will live here. Not to put words in their mouth, but to put a little bit of words in their mouth, the KU Police is also the head of parking and he said that’s 200 to 250 people I don’t have to worry about parking anymore because they have such a major parking problem. They can provide that transport up and down the corridor.

Again, it will look a little different than the rest of our product only because there has been something existing already built there. We told the neighborhood we will try to match stone, we will try to match architecture, and we will try to match color as best as possible to transition from the townhouses to the single family. It maybe won’t look exactly like any of those products or anything we’ve done, but we’ll work with them on that.

The Rosedale Master Plan, George opened it up. It talks about bookend development. We see a huge opportunity with what’s been done at 39Rainbow. That’s a huge investment. Having these corridor improvements and then having our product, we’ll have a $22M - $25M investment in this district.

I would say it’s not a negative. We do a lot of projects. This is probably one of our tougher products. We’ve never done anything this urban. You have the problem, I’ll say, of trying to market it when you’re six blocks off the major thoroughfare so we’re going to have to be very strategic in how we market it and how we partner with KU hopefully. We feel that we will provide a product that doesn’t exist anywhere in the urban area because of the quality, granite countertops, stainless steel appliances, salt water pool, we don’t think that exists anywhere and provided in a secure way and close to campus. Those 10,000 people that are on campus every day, we feel pretty confident about the project.

Chairman McKiernan said for the benefit of the committee, please correct me if I’m wrong on this, Doug, we have nothing to vote on here tonight with this project. The purpose of this item is really just to allow us to ask some questions, have a discussion, and maybe make some suggestions that would go toward the eventual development agreement that would then be brought back to us for a vote. Mr. Bach said that’s correct. Chairman McKiernan said so this is just an opportunity for us to have some input and to ask questions if we want regarding this potential project.

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Mr. Miles said maybe if it’s alright with you, I’ll share maybe five or six questions that have been asked in our neighborhood meetings. Those have ranged from how long is your lease, do you take six months short-term lease. We do 13 month leases. There is a background check. There is a deposit. The range in units, we’ll have one, two and what we call two plus, so it’s two and a den. We have very few people who convert that to a three bedroom. There was asked a question of would we require any variances from a planning standpoint. Our project at 110th, your code and the building code, there’s an interpretation on what four stories versus five stories is. These that overlook the bluff, if you can picture that at Mission Road, those will be four with a five split so we’ll have to go through a variance process there because of height. I will say that those two buildings have not with their height, have not received, in my opinion, any sort of neighborhood comment or negativity. There was more negativity towards…Commissioner Murguia said the volume; the number of units. Mr. Miles said the number of units and we went from 208 to 194. We’re still working with the neighborhood on volume.

Traffic. These folks coming out Lake, if you’ve been on Lake, people parallel park, so one thing that we offered to the neighborhood that we threw out last time was widening Lake to allow an extra lane of parallel parking and then allow two really thorough lanes. We still have to study that and work on engineering perspectives.

They asked the cost to use the clubhouse. It would be probably $5 - $10 a month and that’s for your key fob and security. Then it was asked, do we have to join that. No, it’s an option if you don’t want to.

There’s been a question about homeowners’ association. The homeowners’ association; there are two in the area: the townhouses and the mass of single family. They asked if we would be willing to pay a fee in toward the homeowners’ association for snow removal. We said we’ll work something out whether it’s a fee. We’ll probably plow it anyway. Maybe we just take care of that in lieu of a fee.

I will give them an absolute compliment. They have asked very good questions. You have a very, in my opinion, somewhat cohesive group of young professionals down in that area. They care about their neighborhood. I’ll say, as George mentioned, they’re not happy about what has happened to them over the life of the project. They’ve invested $250,000-$300,000 into a house. It’s essentially, in my opinion, somewhat of a defunct neighborhood. They didn’t
get what they originally were promised and we said we’re not providing what you were originally promised; we’re providing what we think is the best alternative.

**Mr. Bach** said I would also like George to maybe talk about a couple of the deal points we’re working on. In particular to this deal is since we had a TIF project that is essentially not funding itself, we’ve looked at some things as far as an IRB and removing this area from the TIF structure is what we’re going with which we never provided an IRB on a multifamily non-senior housing project before.

**Mr. Brajkovic** said in working with Brent on this project, we treated it very much like we did the project at 110th & Parallel. That was to establish what we think is a market rate value on a per unit basis and then develop our PILOT from that. Brent talked a little bit about some of the challenges with urban redevelopment. It often times has a loftier price tag than greenfield development just because you’re dealing with some obstacles that are present that you don’t find in greenfields. One of the requests that I anticipate that they’ll make from us is that the PILOT have some sort of abatement associated with it. Keep in mind that our typical abatement within the policy is a 45%. It think we’re somewhere more in the 25% range I think to try to help overcome some of the increased costs of urban redevelopment and still deliver the project that staff would like to see delivered here.

Again, in terms of how that sets up, the IRB would be a fixed PILOT for ten years. There’s somewhere between 12 to 15 years left on this TIF. Our analysis, and Lew can chime in if he feels differently, is we can continue on and see what the market might bare through the rest of the life of the TIF here, but more than likely it will continue to underperform or we could do a project like this multifamily deal where you have the IRB and within a ten year time span, you’re still collecting an increased value via the PILOT. Then the PILOT expires and the product comes back on full tax rolls. Again, that all happens before that TIF would have ever expired anyway. We need to work with bond counsel to ensure that the removal or the dissolving of those portions of the TIF, we’re following all statutory requirements. I guess that’s really kind of the impetence in keeping the project moving forward. These guys have put options out on the property. We want to get some feedback from you, as a group, to say are these things we would want to consider to see an urban redevelopment project occur at this site. If that is, then we’d

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like to continue the negotiations and bring up deal points, if not a finalized development agreement back to this standing committee possibly before the end of the year.

**Commissioner Murguia** said there’s a lot of history I’d just like to comment on with this particular site. I was elected in ’07 so this deal was done by the time I came on as commissioner. This is my district if you didn’t know that. It was not going well and they came back in front of us. I will tell you it’s the only project that I voted against in my district ever since I’ve been here, yet the commission at the time all voted for it so I lost in my own district. There’s a little personal satisfaction on that end, but it’s not really great for the government or the county the current situation that it’s in. I had predicted that this was not going to do well because residential TIFs don’t usually perform very well.

I think it’s a great project obviously. I know Brent Miles, if you don’t know he used to work for us in Economic Development. He did a fantastic job. You’d be hard pressed to find a commissioner or another staff person that would say he didn’t. He did a great job. I’m excited. Brent has been really good about reaching out to me, but I’ve been really busy. I just have two little comments. We can talk about them later, but I just want to say that you do great work. I’m not worried about what the inside is going to look like or the outside of the building. The only two little comments I have is that’s a whole lot of parking lot. I don’t like that because you’re building is going to be so nice because I know what you produce and then there’s like this Walmart parking lot. I said I don’t like Walmart, but there’s this big concrete parking lot in front and it’s not very attractive. Really, I don’t want to go swimming and look at a parking lot. I think that maybe in the corner overlooking the bluff would be better but then, again, I’m not an architect and you could probably get better advice from Commissioner Walters.

**Mr. Miles** said I hear your comments. We’re dealing with such a finite piece of ground. If you know anything about that piece, the grades are tremendous. You’re dealing with streets that have already been built, so we’re sort of coming in and trying to make the best of a situation. Not saying that our design is the best, but our theory is why we did what we did was we felt that the residents would prefer a parking field that is secured that is visible from the units because the units will be facing interior to the parking. **Commissioner Murguia** said I see. So it’s more a safety issue than…**Mr. Miles** said that’s our thinking. **Commissioner Murguia** said where you can see everything going on.

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Mr. Miles said you’re coming into one confined space as opposed to if we put parking—I’m not sure, other options because of the bluff and everything, but we didn’t want to have parking fields of 12 to 20 isolated in pockets that maybe weren’t well lit or well secured or well visible. We thought there was a mentality of the herd theory, which is if you get everybody sort of in the middle and the buildings were well lit, interior looking into them that it might provide a safer environment.

Now the neighborhood will tell you that they have no safety concerns or issues and I believe that. Commissioner Murguia said yes, it’s a great neighborhood. Mr. Miles said it’s the person that we have to convince that is not here that sees it for the first time and you have to sort of convince them that this is a safe, viable—an example is somebody from western Kansas and they bring their daughter to nursing school and they’re looking for places to live. That’s the person that we have to sort of convince. That was our theory as well as pushing that building up to the street because of the townhouses. We can play. Again, we’re always opened. That building, Building 4, we probably played with it the most. Do the people on Minnie want to see that or do the people who live in single family along Thompson want to see it? Can we break up that parking field with garages? We might add garages around the pool area. We think garages would be popular. We could break it up. Commissioner Murguia said sure. Mr. Miles said we could add carports potentially in the middle and break it up. We’ve got to get into—what I didn’t talk about, these buildings that face the parking lot, those are tuck under garages. We think garages would be a pretty nice asset, a moneymaker for us so we’re going to try to have as many garages as possible. We’ve got to get more into the market survey to say what are people willing to rent. You’re talking a one bedroom is going to be $800 - $900 without a garage, without a storage unit. People are going to be dropping $1,000 here a month.

Commissioner Murguia said it’s beautiful and I know what you’re capable of. It’s not a deal killer. It’s just that it’s a lot of parking lot. Mr. Miles said I agree. That would not be our typical design. That was our theory right or wrong or indifferent. We’ve sat down with Rob preliminarily. We’ll sit down with Rob and work with him more on these thoughts. I’m sure he’ll have his opinions as well. Just know, we’re somewhere between, we were at 208, we’re down to maybe 194, 195, so it’s around a 200 unit.

Commissioner Murguia asked is the single family guy going to finish off the last three lots for single family. Mr. Miles said he is. According to him, David is. The neighborhood
asked us if it would help us at all to take that last lot. David also owns that lot. I approached
David and said I don’t really see how that helps us a whole lot to pick up that lot. Are you
opened to sell it? He said, I’m opened so we sort of left that open ended with the neighborhood.
We might, I’m not sure, we might move the clubhouse. I’m not sure if we’re really interested in
taking that lot but the neighborhood wanted us to at least explore that. We left a couple of
opened things with the neighborhood.

**Commissioner Murguia** asked is the neighborhood, are the people warming up to it. Are they
liking it? **Mr. Miles** said I would say that just calling as it is, I think there’s still some concern
from two or three, maybe four folks who abut the back of the project. **Commissioner Murguia**
asked with the density. Is that their concern? **Mr. Miles** said we’ve had some concern about
density, just about the number of people that we’re adding to the neighborhood. I would say that
in general there are some people that, I would say, just generally don’t want any product. They
want single family. **Commissioner Murguia** said right. **Mr. Miles** said I’m not sure that’s ever
going to happen. We’ve tried to address their concerns. For example, one concern was if I’m in
my backyard and you have a split level clubhouse like this, am I going to be looking from my
backyard into the pool. If you have young people, I’m not sure I want to look into the pool
watching people drink beer. We said, well, we don’t really have that problem at any of our other
products, but we would be willing to sort of raise the pool where you would be kind of looking at
a retaining wall. Would you whether look at a retaining wall and we could landscape it and berm
it? Those are the kinds of things we’ve thrown out to them to say would you rather look down
into the pool or would you look at a retaining wall. Do you want it fenced?

I know for a fact the neighborhood has a lot of concern about the rental house that’s on
the corner. **Commissioner Murguia** asked with a KU student. **Mr. Miles** said yes. They
brought that up at every meeting we’ve had. **Commissioner Murguia** asked they don’t like it.
**Mr. Miles** said they’ve had issues with beer cans and things like that. We just said you’re
actually more protected with our product because we have an institutional lease. There’s no
institutional lease on a house if somebody leases it to them. **Commissioner Murguia** said right.
**Mr. Miles** said we’ve got a problem; they’re out. That’s as simple as that. We don’t deteriorate
from our value so. I think that they’ve maybe adjusted to that. I will say there’s been a lot of
email correspondence from all the people who have come down to the specifics of how much

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fitness equipment would you put in. Is there enough capacity for all of this? We’re building this at the size…Commissioner Murguia said at the same time. Mr. Miles said right and everybody is really attuned to what’s happening in the neighborhood. Again, I know we have done everything we can do to try to get their, I would say, support or comments and try to adjust it in the plan. I would say in general to answer your question, there are probably three or four people who aren’t happy. They’re just not happy with the plan as it is.

Mr. Brajkovic said, again, to kind of recap from staff’s perspective, the bookend idea. You know you’ve got Lane4 that invested $40+M. That was the largest urban redevelopment project in the history of our community. Now you’ve got another developer that’s looking to do a $23M private investment just seven blocks away. I think it’s a real opportunity to take advantage of that. Maybe from, I’m sure Rob would appreciate this comment from a planning perspective, committing to the master plan and coming in with not just developments, but that idea of pedestrian activity, I think it’s a way to really tie all that in. I think at the end of the day, the story is you’ve got, you’re approaching $100M in private investment in urban redevelopment project areas. Commissioner Murguia asked and that doesn’t count the development going on at Woodview. Mr. Brajkovic said no. Commissioner Murguia said going on the other end, right at—so we’d be coming in from both ends and then also from the middle out.

Mr. Miles again, we’re going to have some students, but I just think with the rents and the quality, I think you’re going to see a lot of people who are here for a two or three year research opportunity at the university. They’re working, researching 12-15 hour days. They want that proximity. They may or may not have a car. They may be coming from a coast in. That is who we were trying to target.

ITEM NO. 3 – 130371…AMENDMENT: WYANDOTTE PLAZA REDEVELOPMENT AGREEMENT

Synopsis: Request approval of the First Amendment to Wyandotte Plaza Redevelopment Agreement involving modification to the flow of funds for future project costs, submitted by George Brajkovic, Economic Development Director.
Doug Bach, Deputy County Administrator, said we have Chase Simmons with Polsinelli who represents the developer. Jeff Wheeler who is with RED Legacy, and Todd LaSala, our real estate attorney on it. You’ve had this project before you a few times. The last time we came to this committee was in August. The intent at that time was to come back. We were looking at a restructuring and a deal and to reset the stage on that was that originally on this project area we had approved a CID. There’s a specialize NRA that’s on the site and different mechanisms for dollars to come back in. We had went forth as the Unified Government and issued the first $8M for this project area. It’s about a $22M - $23M—what’s the total? George Brajkovic, Economic Development Director, said total, $27M. Mr. Bach said a $27M project. We did the $8M that went out to it. We’ve got a reimbursement scheme where they spend and we’ll do half the reimbursement to what the dollars are in the reinvestment. Our money was issued knowing that we would get dollars that came back in from the project area and as it says in the write up in here and we had a pledge that we’d get the CID revenue.

The financer for the private financing for the developer looked at this and determined or I believe they thought all along they needed more of an unfettered access to the CID revenue in order to keep all their private dollars flowing. We started having different conversations with them about how to put this together. That’s what we brought to you in August. We had the discussion about going out and issuing this next layer that would have some property tax on it. That didn’t quite work for them. What we structured here today is the opportunity that first we’ll go out and try to issue the bonds, the public bonds to replace the dollars that we have in it. Right now, our projections indicate that we believe the revenue flow that will come in next summer or whenever we go for this will cover that. In working with the underwriter, we feel pretty good about the structure that is out there; that we can get our bonds refinanced, but the CID revenue flow was kind of our insurance. What we’ve built into this deal is if we can’t get the bonds issued like it is, then we would go forth and we could issue up to .2 additional CID on this project which would be able to be pledged against it that they would be able to get part of it to go for the private financing and we’d get the other part to take out our bonds. That’s done, Todd, is that done in equal amounts to the property tax at that time. Todd LaSala, Stinson & Morrison, said it is. Mr. Bach said so they would also increase their property tax on them as the developer who would probably have to cover the cost in order to take that out. If the .2 plus that property tax didn’t do it, then the developer’s committed that they’ll take the rest of it over and above.

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That’s kind of the deal in a nutshell as we went through and worked on it. I guess we’ll sit here today and say we don’t believe we’ll ever need it. We wanted to build an insurance package back into it that if we went to it, it is something the developer is not going to be anxious to do because they don’t want to increase their property tax. We believe it’s a deal that will work for the financing. Jeff, comments on this?

Jeff Wheeler, RED Legacy, said I think that was a very good summary. That’s right. I think it will get us across the finish line and free up the rest of the private funding from our lender.

Mr. LaSala said I think the only thing to add going all the way back, the reason that the CID revenues weren’t originally pledged to the bonds is the same reason that we hope we won’t need to use them on the bonds, which is that they changed the taxability of the bonds. The idea that CID might be used to refinance these bonds is really kind of a worst case scenario. It’s truly just a cushion. As Doug indicated, the real structure and all the original underwriting and everything is assuming that the project revenues as they’re set forth on property taxes and sales taxes, etc., that’s what will support the bonds. We still think that’s the case. Commissioner Murguia asked and staff’s okay with this. Mr. Bach said yes, we’re fine with this, we believe, from where it is. We worked out a working end.

Action: Commissioner Murguia made a motion, seconded by BPU Board Member Alvey. Roll call was taken and there were five “Ayes,” Alvey, Walters, Murguia, Townsend, McKiernan.

ITEM NO. 4 – 130367….RESOLUTIONS: REIMBURSEMENT FOR CMIP PROJECTS

Synopsis: Request adoption of five reimbursement resolutions, submitted by Debbie Jonscher, Finance.

- Fairfax Industrial Area Improvements, CMIP 970-1220, $100,000
- Emergency Bridge Repair 2014, CMIP 942-0114, $200,000
- Guardrail Replacement 2014, CMIP 941-0514, $25,000
- Neighborhood Street Repair 2014, CMIP 941-0614, $400,000
- RR Crossing Improvements 2014, CMIP 970-1307, $50,000

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Commissioner Murguia asked can I just move for approval on this unless somebody has questions. I read it, believe it or not.

Ken Moore, Deputy Chief Counsel, said I just want to make a point on this item and also No. 5. Number 5 has 27 different resolutions. You can vote them all individually if you like, or you can vote on them all at one time like on the Consent Agenda.

Action: Commissioner Murguia made a motion to approve all five resolutions, seconded by BPU Board Member Alvey, to approve.

Commissioner Townsend said one question, with the exception of the Fairfax item, the rest of these pertain to improvements throughout the city. Mr. Moore said that’s correct. Commissioner Townsend asked that’s not Fairfax specifically, correct. Commissioner McKiernan said that is correct. Mr. Bach, Deputy County Administrator, said I’ll clarify too on your point on the Fairfax. The rest of these, you approved all the projects. They’re kind of more operating. Fairfax, this gets the funding in place. The specific project to be approved, the commission made it very clear in the budget approval that we would come back before the committee for approval. At some point, Bill Heatherman and Chuck Schlittler will be here and name what the project is. We’ve been working with them to what it would be, but the commission made it clear it’s not just their money to go build something with it. It’s something they’ll recommend and you’ll approve the project. This just gets the funding in place.

Roll call was taken on the motion and there were five “Ayes,” Alvey, Walters, Murguia, Townsend, McKiernan.

ITEM NO. 5 – RESOLUTIONS: CMIP PROJECTS FOR 2014 AND ONGOING PROJECTS

Synopsis: Request adoption of various resolutions authorizing improvements and the manner for paying for the same, submitted by Debbie Jonscher, Finance.

Schedule A - 2014 approved projects per 2014 CMIP Budget (22 resolutions)

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Schedule B - ongoing projects per the CMIP Budget requiring an increase in authority and/or additional financing for the 2014 issue. These projects will require amendments to the original authorizing resolutions listed in the schedule. (5 resolutions)

Commissioner Murguia said I just have one little question. Merriam Lane, 10th to 24th Storm Sewer Upgrade, $1.2M, is that the grant? Chairman McKiernan said that’s our match on the grant, isn’t it. Commissioner Murguia said it’s not additional money, Bill. I know the project. It’s not additional money, it’s either grant money or money already authorized, correct. Bill Heatherman, County Engineer, said its money that’s already in the CMIP. The reason the storm sewer is set aside, as you know, as part of the Merriam Lane project there’s major stormwater upgrades going on. The stormwater is being paid for out of the stormwater utility bond. It’s a portion of the overall project financing and it’s the way it’s been planned. Commissioner Murguia asked is that why it’s being approved again through this. Mr. Heatherman said that bond had never been authorized. The previous work kind of came along in previous authorizations but the stormwater work has been in the budget all along. It just was never at a year where it needed the resolution prepared for until this year.

Action: Commissioner Murguia made a motion, seconded by Commissioner Walters to approve.

Commissioner Townsend said on Schedule A, somebody explain to me again just the difference. I was looking at some of these, the bigger items, and the difference between the $14,650,500 versus the $22,500,500. There’s probably about three or four big projects. What is the difference here? What’s happened? Debbie Jonscher, Finance, said the first column shows the amount that was budgeted for the 2014 financing. That is the amount that we will issue with our annual financing. The total project authority is the total of the project over multiple years. In addition to ’14, you could have additional financings in future years. We’re authorizing the total project authority.
Roll call was taken on the motion and there were 5 “Ayes,” Alvey, Walters, Murguia, Townsend, McKiernan.

ITEM NO. 6 – 130374…. RESOLUTION: TAXABLE GOB, SERIES 2010-F

Synopsis: Request adoption of a resolution providing for the reallocation of improvement costs to be financed with the proceeds of Taxable General Obligation Improvement Bonds (Recovery Zone Economic Development Bonds) Direct Pay, Series 2010-F, submitted by Lew Levin, Chief Financial Officer.

This action allocates $1,116,835.04 from the 2010-F Bond issue to the 2014 Neighborhood Street Resurfacing Project, CMIP 941-0214. This results in a corresponding reduction of 2014 debt requirements.

Debbie Jonscher, Finance, said this is a reallocation of previously issued bond proceeds related to Series 2010-F. These were economic recovery zone bonds that were part of the stimulus money that was available. We’re required to spend 100% of the proceeds on capital improvements. Some of the projects did not use all of their funding so what we have chosen to do is reallocate the funding that was not spent to the 2014 Neighborhood Street Resurfacing Project. We’ve already received the bond proceeds so we have to spend them. We’re opting to put them toward this project. It doesn’t change the authority on the 2014 Neighborhood Street Resurfacing, but what it will do is reduce the amount of bond financing that we will have to do in the future on that project.

Commissioner Murguia asked does it increase the overall dollar amount for street resurfacing in ‘14. Ms. Jonscher said no, it does not. Commissioner Murguia said you’re always taking our money. Chairman McKiernan said no, she’s just not giving you anymore. Commissioner Murguia said that’s what I meant. Alright. That’s not very fun.
Action: Commissioner Murguia made a motion, seconded by BPU Board Member Alvey, to approve. Roll call was taken and there were five “Ayes,” Alvey, Walters, Murguia, Townsend, McKiernan.

ITEM NO. 7 – 130369…RESOLUTION: NEW CMIP PROJECTS

Synopsis: Request adoption of two resolutions authorizing new CMIP projects as listed below and providing for the manner of paying for the same, submitted by Debbie Jonscher, Finance.

MOB Security & Facility Improvements, CMIP 969-8194, $225,000
Public Levee Improvements, CMIP 969-8831, $500,000

Debbie Jonscher, Finance, said this is to approve two new CMIP projects that have advanced since the adoption of the budget. These two projects were not included in the CMIP that was adopted this summer. The first one is the Municipal Office Building security and facility improvements in the amount of $225,000. This includes reconfiguration of four areas of the ninth floor and it includes HVAC improvements, electrical work, and other improvements to finish off these areas.

The second project is the Public Levee improvements in the amount of $500,000. This includes upgrades and improvements to Building C. This is a building that will remain in that project area. There’s some work to be done regarding the electrical, mechanical, and plumbing systems. This would take care of the construction and design on that. The details of that project are still being worked out so we’re authorizing it at $500,000, but it could possibly come in less than that.

Doug Bach, Deputy County Administrator, said I’ll clarify on the Public Levee improvements. These will be paid for from revenues from the Public Levee project. It’s contemplated within the deal we did so it’s not us issuing and going out. What we have to do is we have to keep public debt on the levee in order to maintain its tax exempt nature. In a sense, we’re doing this so that it’s financing that we’ll put in place that they’ll pay us for. It’s a product

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of the deal. This does not cost us any money over and above what our original deal structure is, but we have to do the financing.

Commissioner Townsend said I was trying to picture where this particular building is. Is this the group of buildings across from the grain elevators as you go into Kaw Point? Mr. Bach said yes, out toward Fairfax Trafficway. Commissioner Townsend said and they’re low groups of buildings. Mr. Bach said yes, right there. The ones in the back will be demolished in the future as they build new buildings, but these out front are what we’re looking to preserve. Lew Levin, CFO, said I think this is considered the office; houses the office building.

Action: Commissioner Walters made a motion, seconded by Commissioner Townsend, to approve. Roll call was taken and there were five “Ayes,” Alvey, Walters, Murguia, Townsend, McKiernan.

ITEM NO. 8 – 970146… INVESTMENT REPORT AND BUDGET REVISIONS
Synopsis: Third Quarter 2013 Investment Report and Budget Revisions $10,000 or greater, submitted by Lew Levin Chief Financial Officer.

Lew Levin, Chief Financial Officer, said what you have before you is our quarterly investment and budget revision report. It’s information for the Third Quarter 2013. No action is required. Just a real brief summary of some numbers related to the investment report. At the end of the third quarter we had slightly under $140M in investments. Our interest rate earnings, our average yield on the investments, a little under 0.5%. Our expected earnings for the year, well, through September 30th, $531,000. We forecast we’ll earn in interest for the year slightly under $1M; pretty consistent with last year. Interest rates have remained stable and our cash balances slightly higher than last year. I’ll let Reggie speak about the budget revision section.

Regional Lindsey, Budget Director, said during the third quarter we had nine budget revisions that were over $10,000 that went to the Administrator’s Office to approve. It’s a list totaling $427,000.

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Action: For information only.

Chairman McKiernan said what we decided in our Neighborhood and Community Development Standing Committee, we had a discussion about goals and some goal setting. We decided that since Mr. Levin is in the process of bringing to us some drafts of policies and procedures for financial operations of the UG that really fit under the heading of setting goals or ensuring proper functioning of finance. Rather than have a different Economic Development goal setting discussion tonight, we have consideration of the three policies and procedures that he gave us last month. They’re all marked for approval, but we’re open for discussion on any of those if that’s going to be useful.

Item No. 10, if I just leap ahead then, will be simply distribution of three more policies for us to take and consider for our next meeting.

ITEM NO. 9 – 130365...  COMPREHENSIVE FINANCIAL POLICIES

Synopsis: A communication recommending discussion and/or approval of the following comprehensive financial policies, submitted by Lew Levin, Chief Financial Officer.

- Revenue and User Fee Policy - for approval
- Expenditure Policy - for approval
- Budget Policy - for approval

On September 30, 2013, these proposed polices were presented and discussed by the Economic Development Standing Committee.

Lew Levin, Chief Financial Officer, said, Commissioner, I’m not certain if you want to handle these one at a time. The third item, I believe, there’s going to be some discussion on the budget policy. I’ve had questions from both Commissioner Murguia and Commissioner Walters. At the last standing committee, there was a request for us to bring forward a summary of budget revisions and a little more detail on that topic. We put that one in particular third to allow us further discussion. If you’d like, we can start with the first two policies.
Commissioner McKiernan said I’d just ask, we can consider each of these independently and if we so choose, then we could approve one or two or all three of them knowing that any one that we do not feel comfortable with whatever discussion or resolutions we come to tonight, we can continue the discussion of those policies and bring them back to the next meeting or the meeting after that even. We have no burden to approve or not. If we choose to approve any of these, so be it. If we choose not to, we’ll have a discussion. Based on that discussion, we can continue and bring them forward if we need to make additional revisions or gather additional information. Although they are marked for approval, that will be up to us as to whether or not they’re approved tonight or carried forward to our next meeting for additional discussion.

Action: Commissioner Murguia made a motion, seconded by BPU Board Member Alvey, to approve one and two (Revenue and User Fee Policy and Expenditure Policy). Roll call was taken and there were five “Ayes,” Alvey, Walters, Murguia, Townsend, McKiernan.

Chairman McKiernan said that brings us to the third one which is Budget Policy and this is the one where we had some questions and some desire for further discussion.

(Mr. Lindsey provided a handout to the committee members.)

ITEM NO. 10 – 130366… COMPREHENSIVE FINANCIAL POLICIES

Synopsis: A communication recommending discussion and future adoption of comprehensive financial policies, submitted by Lew Levin, Chief Financial Officer. The three policies are entitled: Long-term Financial Plan, Debt Policy, and CMIP Policy.

Lew Levin, Chief Financial Officer, said I’m going to briefly describe what you have in this packet and then I’m going to let Reggie provide a little more detail. We have two items. One’s a single page report and it has a discussion of the comparison of the Unified Government, Overland Park, and Lenexa’s budget revision policies. The larger document, I’m going to let Reggie provide a summary of what’s contained in that document.

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Reggie Lindsey, Budget Director, said at the last meeting Commissioner Murguia had a question about how many budget revisions we did in 2012 so I put the following information together. You can see on the table that we did $7.5M worth of budget revisions last year. This was a 2,000 amount count, which was like less than 3%. In that, we did budget revisions that were under $10K and over $10K. The ones that were under $10,000, we did 2,000 of those also and that totaled $6.3M. Of the budget revisions that were greater than $10K was $1.2M, we did 24 of those.

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Also, with the memo I included a summary of all the budget revisions we did by quarter last year that were over $10,000. Also, I have an actual budget revision just to kind of give you all a view of what a budget revision looks like. It’s actually one from the District Court. This is what would come to our office, the Budget Office, and we would process these five different transactions on this. This would be considered five budget revisions, but it was one budget revision that came. To make things more efficient, we process them all at the same time. This particular budget revision was done for $2,400.

Mr. Levin said just to reiterate, Reggie, in this particular revision, all the money was moved from within their respective budget. Mr. Lindsey said yes. It was moved within the department and also within the same division. You can see we netted each entry out. Also, you can see the approval by the department head which is something that happens. When we get a budget revision in our department, we look to make sure that the department head approved those.

Mr. Levin said I think there was some question, and Commissioner Walters actually raised it directly, should there be some other considerations. What we do for the Unified Government, how does that compare with other entities? I asked the finance directors last week in Overland Park and Lenexa and actually the former finance director for the city of Olathe to respond on their processes. Essentially, the administrator in those respective cities have similar authority to our administration. The numbers differ a little bit. You see in Lenexa the threshold is $5,000. The key thing is, budget revisions are allowed within the individual fund and the commission, when we adopt the budget, you adopt a fund, f-u-n-d, level budget. That’s what’s certified. It goes to the state and you cannot expend more money at the fund level than you adopted within the budget.

The controls we have in place, they’re described in detail in the budget policy that we presented. There’s exceptions for moving money in capital projects. We don’t allow that. There are the controls that Reggie alluded to that the department has to have approval. There has to be sufficient money within the department’s budget. In the Unified Government’s case, the administrator has taken any legal settlement in excess of $50,000 to commission for approval. That particular, I’ll say statement, I did not include in our budget policy. That may be something we’d want to add to the budget policy.

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I’ve listed other limitations that’s included in our budget policy. We do not do revisions for—departments are not able to do revisions for personnel, capital projects, and certain type of commodities that we’ve limited their ability to do budget revisions on. This was provided just for some comparison.

The city of Olathe I did not include on here. Their response was, I had shared this information with him that their policies were very similar.

Chairman McKiernan said as I understand one of the questions that’s come up in terms of crafting a really good policy is, and correct me if I’m wrong, but just as the administrator currently brings legal settlements in excess of $50,000 to the commission prior to acceptance, I think the question has come up is, should there be some sort of a trigger on even fund transfers that over a certain dollar level the administrator, just for good oversight on all levels, would bring those transactions, those potential transactions to the commission. So very similar to what’s done now on legal settlements, should there be in place some sort of threshold at which the administrator would just get approval from oversight by the commission. Correct me if I’m misstating that.

Commissioner Walters said no. That’s the basis of one of my questions was surely at some level and for some changes, the elected officials should be in the loop.

Commissioner Murguia said you know I’ve said this before. I’m not really good at coming up with on the fly policy. I’m better if staff brings me something. I can review it. Unfortunately, it kind of goes back and forth. I’ll just tell you more specifically what I’m concerned about. I kind of had this conversation with Lew today on the phone. This is the deal; I don’t want to be a micromanager. I want to be able to trust my administrator. If Doug needs to move paper money to buy pens, he should be able to do that. I, frankly, don’t really care and he doesn’t need to bring it in front of me. That kind of thing; I want a policy that’s not going to get in the way of that or something that is insignificant. Then we get into what is significant.

I don’t think I can talk about this in this meeting because it’s not executive session, but I can talk about things in general terms. I will try not to get myself in trouble here. It’s no secret that I’m not happy at all, in fact, very angry and feel deceived and lied to about something that occurred where money was spent and was not brought to the commission. I’m still very angry

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about that. I usually don’t hold onto anger that long, by the way. I’m usually very forgive and forget, but that issue really concerns me because had our current mayor not been good enough to bring that to our attention, I still would not know that. That’s appalling to me. I would just tell you that I don’t ever want to ever, ever hear that happening again, ever. You know if it’s about buying pens or paperclips, that’s fine; but when we’re talking about what were were—sorry, David, you weren’t there. I don’t know what else to say. I’m restricted on what I can say on that. What that money was used for, that should have never happened.

I’m pretty proud of the current commission and our mayor that we have now. I think we are collectively want to be a transparent government and above board and opened and honest with the taxpayers, that clearly was no example of that at all. I don’t ever want that to happen again.

For those people that went to school to write policy, whatever it takes to write the policy to protect us from our administrator and the mayor going off and spending money without running it by the commission on something that isn’t normal paperclips, paper, buying a part—if you look at what Lew gave us, as an example, like I don’t really care if you need a muffler for a truck, you know, stuff like that, it’s fine. But the other item.

Chairman McKiernan said I think the question that really comes before us then is for us to thoughtfully craft a policy that would address both dollar figure and circumstance so that we can put in place a control that would prevent that thing from happening, or things like that from happening in the future without commission information at least and approval at best.

Doug Bach, Deputy County Administrator, said in going through this, I think in trying to answer your question, I think to what creates policy gets there because actually our policy required that, that item come to you, but it didn’t define when through the course of the year. Commissioner Walters said let’s define it then. Mr. Bach said and that could be a very good answer to it that it’s within—because quite frankly, as you go through this list, I don’t think there’s anything if you look at—I mean you see there’s a $200,000 item on here. There are things, there are items from fixing a fire truck to chiller replacements that’s $95,000. I’m hopeful that we can continue to do those. I just want to find whether if the expenditure happens that it has to be reported to you of that amendment by the next standing committee meeting or the next quarter or something.
like that versus—Commissioner Murguia said no—Mr. Bach said do you want it to come in advance.

Commissioner Murguia said the situation from executive session should have been vetted way before any check was written. It should never have been paid. Two people; this isn’t a dictatorship, it’s a democracy and we all represent different areas of our city. That should have never gone through like that, in my opinion. I mean I’m just one—I am voicing my personal opinions. Brian can feel differently or David, sorry I guess he doesn’t know but, sorry Dave. I am just saying that is not transparent. Doug, I know that you intended well but I can plan that game all day long as far as taking rules and manipulating them, in a way that works best for me. Mr. Bach said I have no, from a management perspective, I have no desire to have a rule to manipulate, in fact more clear and fine rule is what is—Commissioner Murguia said okay but at some point there has to be some professional discretion in my opinion I think our… I won’t call it. I think, what happened, people knew better. Let me give you an example. Let me give you an example, a real life example David. In our charter it currently says, if we want to get something on the agenda, and this is a real concern. I have heard it from other commissioners. In our charter if we want to get something on the agenda, we take it to the mayor and a good mayor would look at it and put it on the agenda. That is what our current mayor has done. In the past, it has not worked that way. People have taken things forward and that mayor has just you know not done anything with them. According to our charter, technically he has to put it on the agenda but as to when it could be 2050 or 2025 and that is how you beat this. Do you see the difference? Technically what Doug is saying, I guess we need to spell things out clearer. Personally I think there is some professional judgment where when you are spending a large amount of money on a high profile item that it should have come in front of the commission and I think a good administrator would have known that. If we need to be more clear, then I’ll be as clear as you need it to be, but I personally don’t like to be that controlling. I like for staff to be able to do their job and have a sense of professionalism and be able to do what they need do to do their job. Mr. Bach said I would probably say that is the only time in the past decade that I’ve been deputy that there has been something like that you don’t look back through this sheet and go and say okay all that seems right on the money, no issue at all, but this is one incident and obviously is the exception clearly in your point. Does the one incident require a policy change? Commissioner Murguia said or a staff change. Chairman McKiernan said I think our
challenge is and this is why we do not—this is certainly not ready for approval. We have some more work to do on this but I think our challenge is to write something that is a policy that is global enough to apply to many situations and not be specific to any one situation so we can apply this policy globally. Does it need to address dollar amount? Does it need to address circumstance, should there be direction in the policy as to a direction that says that if these conditions exists, then this person should consider the following a, b and c. That might guide some of the professional discretion or give some guidepost that might allow the person making the decision to go you know what I think I better probably bring this one forward. I don’t know but I am just throwing that out. How we can give some very clear but broad guidance. **Commissioner Townsend** said I am wondering if, listening to this discussion, I am not sure I know the situation you are talking about, I might. I wonder if beyond a policy change for the budget these circumstances and dollar amount limitations might also need to be addressed in the ordinance itself. **Commissioner Murguia** asked what do you mean. **Commissioner Townsend** said well just as you were saying the ordinance says now. **Commissioner Walters** said charter. **Commissioner Townsend** said charter—I’m sorry, thank you. Under certain circumstances the mayor/administrator can do x, y, z. I say with this in addition to backstop to us looking at just the budget and what we need under some circumstances if dollar amounts to come to us. Would we also need to look at changing the charter to get that also as a backstop? **Commissioner Murguia** said one of the discussions, it’s so good of you to bring that up because one of the things that was on—remember at strategic planning you guys when I said as I have been talking to commissioners I was writing things down so I didn’t forget and I was going to give that list to the mayor. One of the things that has come up from multiple other commissioners, it has been fifteen years since the charter, since unification and one of commissioners had recommended that in ten years we go back and review but there is some consensus among commissioners that we open up that charter and look at it again to change those kind of things, put a deadline so if you get a mayor that doesn’t like you, there is a deadline. He can hold your agenda item up for a year but he can’t hold it up for the rest of your life.

I mean, this is the deal, each one of us here that is elected had to earn our seat and I think we are all entitled to some respect. You know the policy, Brian, that you talked about earlier where Jim and I voted no, sorry David. We voted no. I am not offended at all that the mayor
had the authority to now bypass it and move it to the full commission. That I think is good policy because he should have more authority as the mayor.

What I think is not good policy is when the commissioners and those people that earned their elected seat can just be run over and steam rolled. I don’t think this is the situation but we can have bad commissioners but we can also have a bad mayor. We definitely don’t have one now and I’m not saying it was awful all the time. I am just saying that it can go both ways and really to protect Wyandotte County I agree kind of what Gayle is eluding to. At some point somebody is going to bring forward looking at the charter in general for those modifications exactly like what I told you. You have to do it within the year. **Chairman McKiernan** said so we have two parallel discussions, one of which we can solve within this committee and one of which we can’t. We’ll move both discussions forward but specific to the budget policy. Then would it be acceptable that we agree, as a group, that we will give further thought to any further additions or modifications to the policy draft that Lew has brought to us that might then address as best as we can today our concerns about thresholds, circumstance, and timing? **Commissioner Murguia** said sure. **Chairman McKiernan** said and then work to bring that back in a revised draft presented for approval at our next standing committee meeting. **Mr. Levin** said I will try to incorporate some general language based on the direction I have heard this evening. **Mr. Bach** said it sounds like circumstance would be the prevailing issue here that if we can address that. That’s what you’re after—**Commissioner Murguia** said and a dollar amount. I don’t want like a trigger or something. **Mr. Bach** said it all comes back to, I mean they all— and we can address that by having the firm time that it is—when do you do these. Like the one that you had in your budget tonight. Is it every quarter? **Mr. Lindsey** said it is every quarter. **Mr. Bach** said so you have them every quarter that they’ve come to you, that you’ve seen. You saw all of these last year, every quarter after they happened. It’s a question of circumstance and you want a dollar amount before it’s done. I mean like here. I would like to work on a typical year if that’s practical, to look at these and say, gosh, I don’t agree with paying—I guess it’s just the matter of understanding where it’s at. To pay $95,000 for a chiller, that’s an action I would hate to not move forward to order a new chiller when we are out of money to move on something like that.
Commissioner Murguia asked how tedious is it to blue sheet that through like you do other things. Does that create extra work for you? Mr. Bach said some, but we can put it on there. Well, I guess then it’s the question of—I guess that is where I was trying to get at, the difference between circumstance and what you can look at as operating. There is not an issue on this sheet that you look at and say boy that’s a concern. Commissioner Murguia said no, I think it’s the dollar amount I’m concerned about. I do think the public is entitled to know if we are going to spend, I mean a chiller isn’t very exciting but it is $95,000. It does deviate from the budget that we were very public about, so I think there does need to be a dollar amount. In order to keep you moving in business, I don’t want to be an impediment to that. If there is a fast way to get that blue sheet through or whatever, that’s fine. Mr. Bach said I think, you know like when we did the $200,000 health care trust account. It seems like we did something. We informed the commission that we were putting that in from one of those things. We didn’t seek approval; we just kind of told you that we were doing it before we moved on that one. Mr. Lindsey said it was during the budget process. Mr. Bach said that kind of thing is easy enough to bring to you and say here it is. That wasn’t a rush. That was just a good decision to make to keep that fund where we were concerned about where it was for at for fund help come the end of the year. Mr. Lindsey said one thing I would like to add though is like with the chiller or a hot water heater boiler, those sometimes are like emergencies and they need to move pretty quickly, like in a day or two. That’s just something I would like to add. Mr. Levin said maybe we can add some language regarding if the expenditures are more discretionary in nature and it meets a certain threshold then those we would treat those similar to a legal settlement. Commissioner Murguia said I think our statute says—Jody, I swear you sent me—actually because I asked you all those questions and you sent back statute—I think our statute already says that you have the right to do that if it’s a health and safety issue. Wouldn’t you view a so you wouldn’t have to do that. Correct, right… I mean that’s what I’m talking about. I want to be able to trust staff to interpret it like that. Mr. Bach said I guess that’s where I went with circumstance being, I guess those things could be laid out. I guess as you said, maybe we need to work with this and see if we can come back to some language that hits the comfort level that you’re after and there can be amounts there too because I clearly want to see a policy that you all are comfortable with. Chairman McKiernan said that protects everyone across the board and gives—effectively everyone has everybody else’s back then on any decision that gets made. It seems to me that

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we’ve had some good discussion and uncovered some additional perspectives and points that we could roll into an updated draft. I would encourage us to keep communicating with Lew on further draft revisions so we can bring something back in December that is good and that covers what we want it to cover.

**Commissioner Walters** said just a quick question, paragraph 5, when it says an appropriation on contingency funds. Where would you find those contingency funds in the budget? Are they just sprinkled through? **Mr. Lindsey** said if you look at the fund pages, they are not pointed out. They would be in here but it doesn’t say contingency but they would be here. **Commissioner Walters** said well that was what I was kind of confused about. How do you know when there is an appropriation of contingency funds if the line item doesn’t say contingency or is it just kind of—**Mr. Levin** said actually the detailed line item in the budget would indicate contingency. What you see there has been rolled up into a summary category.

**Mr. Bach** said it is something commissioner, I know last year was your first year to go through the budget process and we spent a fair amount of time on contingency. Really since we come in at recessionary years we have put more into contingency because we have cut department budgets more. Meaning that we cut them down to the point that we feel like they are not going to have access to operate so when they have an issue like the chiller go out, instead of having money in there to repair equipment that gets them all the way through, we’ve bumped all of our contingency by fund into one area so the departments then had to come back to administration and wouldn’t just have the ability to just spend it out.

Maybe something else is needed but it wasn’t as urgent, so it was a budget control measure we did to put the money into the contingencies more because as you note in here, there’s a lot of money that goes on in budget revisions through the course of the year but they are within department operating account. No department can come though and say—the Parks Department can’t say boy I’d like $3,000 to take from the Health Department and do it. That just can’t happen. The only time they can tap into the contingency is if the chiller goes down or one of these that we just had when the fire truck hit, and take it out and it was a $55,000 repair because the person carrying it we know we were going to be in an insurance battle for a while.
We needed to get under repair so we take that money from contingency. That was within the department. Commissioner Walters said so reserves works the same way.

Commissioner Murguia said the reserve is not set up to really work like that. Mr. Bach said we try to not tap into the reserve at all. Mr. Levin said our preference would be first to take it within the department budget. If the department budget does not have the available funds, then we deem it as a necessary revision. Maybe if it is a more emergency nature then contingencies would be the next level. Then the last—Commissioner Murguia said last resort is the reserve. Mr. Levin said correct. Mr. Lindsey said we really didn’t have any reserves this year so that’s why we had to take that from reserves from the fire truck. Commissioner Murguia said so I guess, now that you played it out and talked it out like that Jim. You are requiring of staff what I am asking of you. I can just tell you I wouldn’t even be that controlling with staff. If legal had—Ms. Boeding said we don’t have enough money. Commissioner Murguia said if streets was here and they needed a new tire or whatever—so they have to come—I didn’t realize that. So they have to come and get it requested from you to get it out of the contingency fund. Mr. Bach said if they want to exceed their budget that they have been authorized. Commissioner Murguia said for a tire. Mr. Bach said no, not a tire, no. They are over $10,000. Commissioner Murguia said four tires or for a big truck. Whatever. The deal is I don’t know what it would be but I am just saying, if it involves…this is what I don’t want to see and to get caught up in. This is why we need to be able to trust staff. It has to be a decision if it has to do with day-to-day operations of your work, you should be able to just do that. That’s what I think and all I am saying to you guys. If it has to do with your day-to-day operations at work, paper clips, pushing snow, scooping up whatever. I don’t care if it has to do with general basic services, not others. Chairman McKiernan said I think Lew articulated that a moment ago and I think he has some ideas how that can be crafted into the policy.

Mr. Levin said if we are done with that one, we will make this one very brief, just to introduce on the second set of policies and that is our last agenda item. The three additional policies and probably even, not to go into much detail, the three policies are described on the cover sheet for the RFA are a long-term financial plan and our goal essentially on that is to develop a five year plan that will include both the current year budget as well as a future forecast. Our general

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policy as it relates to when it is appropriate to issue debt and then the third category that Debbie’s worked on for a number of years as it relates to the policy for CMIP, how the CMIP plan is developed. Debbie if you want to add any additional on this.

Debbie Jonscher, Assistant Finance Director, said at the beginning of the budget we’ve gone over some of the procedures for that. It is pretty much what is entailed in the policy. Chairman McKiernan said these are great and they will ultimately make us much stronger. Mr. Levin said what we are essentially look—feel free to go ahead and look at those policies and send any communications you have related to those policies and I will make the appropriate changes before the next meeting.

ITEM NO. 10 – 130366…

Synopsis: A communication recommending discussion and future adoption of comprehensive financial policies, submitted by Lew Levin, Chief Financial Officer. The three policies are entitled: Long-term Financial Plan, Debt Policy, and CMIP Policy.

Action: Discussion in conjunction with Item No. 9.

OUTCOMES

ITEM NO. 1 – 120137… OUTCOMES

Synopsis: Policy review in place of goals.

Adjourn

Chairman McKiernan adjourned the meeting at 9:36 p.m.

November 4, 2013

tp/dt/cg
Staff Request for Commission Action

Type: Standard

Committee: Economic Development and Finance Committee

Date of Standing Committee Action: 12/2/2013

Proposed for the following Full Commission Meeting Date: 12/19/2013

Action Requested:

Review and forward to the Full Commission date of 12/19/2013 for a Resolution of Support.

Publication Required

Budget Impact: (if applicable)

Amount: $  
Source:  
✓ Included In Budget  Positive tax impact  
☐ Other (explain)

Item Description:

Previously, on December 3, 2012 the Economic Development staff submitted Tartan Residential, Inc.'s. Section 42 tax credit application for Buchanan's Crossing, a 12 single-family home project located at 706 N. 65th Street to the ED&F Standing Committee for review. After the approval of the Resolution of Support by the Full Commission, the Kansas Housing Resources Corporation denied an allocation of tax credits because the cost per unit was too high.

Currently, Tartan Residential, Inc. is resubmitting a new application to the Unified Government for a Resolution of Support for the use of Section 42 tax credits for the Buchanan's Crossing project. The project is a 100% accessible community serving disabled military veterans & mobility impaired in Kansas City, Kansas. After reconfiguring the project into 24 duplex units reduces the development cost to about $175,000 per unit. The overall cost of the project is $4.2 million and will consist of 18 two-bedroom and 6 three-bedroom units.

Per the Unified Government's Tax Credit Policy, this project has achieved a score over 50 points.
Buchanan’s Crossing Subdivision Project Narrative

Buchanan’s Crossing Subdivision is a proposed 24-unit duplex development consisting of 18 two-bedroom and 6 three-bedroom units. The project, located on the west side of N 65th Street between the I-70 and State Avenue, will be completely accessible with priority given to disabled veterans and families with a member who has a mobility impairment.

The development is planned to be built at an estimated cost of $4.2 million. The project is proposed to be financed with a combination of conventional debt and privately-funded equity. No Unified Government funds are proposed for this project.

A total of 14 two-bedroom and 4 three-bedroom units are planned for this development, renting for about $600 and $825, respectively. In addition, 4 two-bedroom and 2 three-bedroom units are planned, priced at about $450 and $525, respectively. Keeping the rents for a portion of the units lower is a funding requirement for this development. Residents occupying these lower-priced units will need to earn a minimum of about $2,000/month. All residents will pay rent out-of-pocket, however. Rent subsidies are not planned for this project.

Our plan is to initially rent these units, selling them to the occupants at a discount after a 15-year compliance period.

The site, which consists of approximately 16 acres of land, is currently zoned R-1 allowing single family homes. The zoning change to R-2P accommodates duplex units.

Our development team (Tartan Residential, Hughes Development Company, and Northeast Economic Development Corporation) applied to the State of Kansas for an allocation of federal housing tax credits earlier this year. As part of this process, we applied to the Unified Government for a resolution of support for our project. At the time, we were proposing a 12-unit single family home project. The project scored very well with the Unified Government and the State, but was not awarded an allocation of tax credits because our development costs came in at about $272,000 per unit. Reconfiguring the project into 24 duplex units reduces the development costs to about $175,000 per unit. This is much more in line with what the State of Kansas wants to see in developments of this nature.

Planned site amenities include 6 foot wide sidewalks and walking trails, an outdoor shelter and BBQ, a handicap-accessible basketball court and a fishing pond and pier. Planned unit amenities include 100% accessible units with roll-in showers and ample space for wheelchair access. Kitchens will include front-control ranges, frost-free refrigerators, disposals, dishwashers and microwaves. Units are planned to be barrier-free with wood, laminate and/or tile floors throughout. Every unit will include a wheelchair accessible one-car attached garage and a rear yard concrete patio. Resident services will be provided by a network of service providers working specifically with the mobility impaired. 65th St has been fully improved to allow development of all residential land as currently zoned. Because the density of development will be the same or less than allowed in R-1 zone, impacts to traffic, environment, noise and schools will remain unchanged.
<table>
<thead>
<tr>
<th></th>
<th>2013 Application</th>
<th>2014 Application</th>
</tr>
</thead>
<tbody>
<tr>
<td>1) cost,</td>
<td>$3,281,917</td>
<td>$4,368,911</td>
</tr>
<tr>
<td>2) cost difference,</td>
<td></td>
<td>$1,086,994</td>
</tr>
<tr>
<td>The project is proposed to be financed with a combination of conventional debt and privately-funded equity. No Unified Government funds are proposed for this project.</td>
<td>Proposed to be financed with a combination of conventional debt and privately-funded equity. No Unified Government funds are proposed for this project.</td>
<td></td>
</tr>
<tr>
<td>3) number of bedrooms and comparison to the other,</td>
<td>Buchanan's Crossing is proposed to consist of a total of 12 revenue-producing units including 3 and 4 bedroom single family detached homes. A total of 3 units are proposed to be rent and income restricted to 40% of AMI; a total of 9 units are proposed to be rent and income restricted to 60% of AMI.</td>
<td>Buchanan's Crossing is proposed to consist of a total of 24 revenue-producing units including 2 and 3 bedroom duplex units. A total of 6 units are proposed to be rent and income restricted to 40% of AMI; a total of 18 units are proposed to be rent and income restricted to 60% of AMI.</td>
</tr>
<tr>
<td>4) sq. ft. of home/ lots,</td>
<td>Homes in Buchanan's Crossing will be 1,323 s.f. three bedroom and 1,515 s.f. four bedroom, each with an oversized accessible one car garage. Lots have an average 85 foot frontage and the project total is 12.862 acres</td>
<td>Homes in Buchanan's Crossing will be 1,130 s.f. two bedroom and 1,375 s.f. three bedroom, each with an oversized accessible one car garage. Lots have an average 65 foot frontage and the project total is 12.628 acres</td>
</tr>
<tr>
<td>5) type of construction comparison,</td>
<td>All homes are designed with low-maintenance exterior finishes with brick, stone or other masonry accents for maximum visual appeal. Investment will be focused on providing a fully equipped accessible home.</td>
<td>asphalt roofing shingles and brick and stone siding materials and proportions will comply with requirements of R2P zoning and master plan Medium Density Residential zone and as approved by staff or the planning commission</td>
</tr>
<tr>
<td>6) number of homes compared to previously</td>
<td>previously: 12 single family detached buildings</td>
<td>currently: 12 single family attached buildings containing 24 duplex units</td>
</tr>
<tr>
<td>7) type of amenities and any changes of amenities</td>
<td>Buchanan's Crossing amenities will include a generously sized covered pavilion with seating and BBQ grill, an accessible play structure, wheelchair ball court and ½ acre fishing pond, which will provide community residents with spaces to gather, eat and recreate. A bus shelter will be provided at N 65th St. for school aged children.</td>
<td>All remains as previously proposed. Seating area expanded to 240 s.f. minimum and four seats.</td>
</tr>
<tr>
<td>8) the reason you are coming back with the changes</td>
<td>n/a</td>
<td>see above project narrative</td>
</tr>
</tbody>
</table>
**Tax Credit Review**

Applicant: Tartan Residential (Buchanan's Crossing)

### 1. Requirements

<table>
<thead>
<tr>
<th>Requirement</th>
<th>Status</th>
</tr>
</thead>
<tbody>
<tr>
<td>a. Pre-application meeting completed</td>
<td>Required ✓</td>
</tr>
<tr>
<td>b. Ownership clear</td>
<td>Required ✓</td>
</tr>
<tr>
<td>c. Feasible market analysis</td>
<td>Required ✓</td>
</tr>
<tr>
<td>d. Financing in place</td>
<td>Required ✓</td>
</tr>
<tr>
<td>e. Zoning and land use compliance</td>
<td>Required ✓</td>
</tr>
<tr>
<td>f. Compliance with the Long-Range Master-Plan</td>
<td>Required ✓</td>
</tr>
<tr>
<td>g. Acceptable Environmental and Site Impacts</td>
<td>Required ✓</td>
</tr>
<tr>
<td>h. Qualified Development and Management Team</td>
<td>Required ✓</td>
</tr>
<tr>
<td>i. Adequate Storm Shelter Requirements</td>
<td>Required ✓</td>
</tr>
</tbody>
</table>

*Master-plan compliance - Master-plan compliance is required prior to the project start date; however, it is not required to advance the review to Commission.*

Is the developer in compliance with the Master-plan? ✓ Yes ☐ No

**Comment:**

### 2. Property Location

<table>
<thead>
<tr>
<th>Requirement</th>
<th>Max Pts.</th>
<th>Application</th>
</tr>
</thead>
<tbody>
<tr>
<td>a. NRA area</td>
<td>3</td>
<td>3</td>
</tr>
<tr>
<td>b. Conforms w/consolidated plan</td>
<td>3</td>
<td>3</td>
</tr>
<tr>
<td>c. Need for housing in area</td>
<td>2</td>
<td>2</td>
</tr>
<tr>
<td>d. Infill site</td>
<td>1 to 2</td>
<td>2</td>
</tr>
<tr>
<td>e. Area part of designated development or planned area</td>
<td>2</td>
<td>0</td>
</tr>
<tr>
<td>f. Qualified census tract</td>
<td>1</td>
<td>1</td>
</tr>
<tr>
<td>g. CDBG low-mod census tract</td>
<td>1</td>
<td>1</td>
</tr>
<tr>
<td>h1. Neighborhood retail (w/in one mile)</td>
<td>1</td>
<td>1</td>
</tr>
<tr>
<td>h2. Parks/trails (w/in one mile)</td>
<td>1</td>
<td>1</td>
</tr>
<tr>
<td>h3. Transit (w/in 1/2 mile)</td>
<td>1</td>
<td>1</td>
</tr>
<tr>
<td>h4. Medical facilities (w/in 2 miles)</td>
<td>1</td>
<td>1</td>
</tr>
<tr>
<td>h5. Employment centers (w/in 1 to 3 miles)</td>
<td>1 to 2</td>
<td>2</td>
</tr>
<tr>
<td>h6. School impact</td>
<td>0</td>
<td>0</td>
</tr>
</tbody>
</table>

**Comment:** 18 points

### 3. Housing Needs

<table>
<thead>
<tr>
<th>Requirement</th>
<th>Max Pts.</th>
<th>Application</th>
</tr>
</thead>
<tbody>
<tr>
<td>a. Rehabilitation of existing housing</td>
<td>6</td>
<td>0</td>
</tr>
<tr>
<td>b. Prevents conversion to market rate or preserves</td>
<td>2</td>
<td>0</td>
</tr>
<tr>
<td>c. Preserves historic structures</td>
<td>3</td>
<td>0</td>
</tr>
<tr>
<td>d. Removes blighted structures</td>
<td>1 to 4</td>
<td>2</td>
</tr>
<tr>
<td>e. Minimal impact to existing market</td>
<td>1 to 2</td>
<td>0</td>
</tr>
<tr>
<td>f. New construction or conversion</td>
<td>3</td>
<td>3</td>
</tr>
</tbody>
</table>

**Comment:** 3d-Applicant is proposing to fund $30,000.00 for demolition or rehabilitation of housing structures. 5 points

### 4. Resident/Tenant Needs

<table>
<thead>
<tr>
<th>Requirement</th>
<th>Max Pts.</th>
<th>Application</th>
</tr>
</thead>
<tbody>
<tr>
<td>a. Promotes a mixed income community</td>
<td>2 to 10</td>
<td>4</td>
</tr>
</tbody>
</table>
### Tax Credit Review

<table>
<thead>
<tr>
<th>Requirement</th>
<th>Max Pts.</th>
<th>Application</th>
</tr>
</thead>
<tbody>
<tr>
<td>b. Provides affordable housing for low-income</td>
<td>3 to 4</td>
<td>4</td>
</tr>
<tr>
<td>c. Owner-occupied component</td>
<td>3</td>
<td>3</td>
</tr>
<tr>
<td>d. Units for large families</td>
<td>1 to 2</td>
<td>1</td>
</tr>
<tr>
<td>e. Minimal impact upon public housing</td>
<td>2</td>
<td>2</td>
</tr>
<tr>
<td>f. Set-aside for special needs units or transitional units</td>
<td>1 to 2</td>
<td>2</td>
</tr>
<tr>
<td>g. Residential support services</td>
<td>1 to 2</td>
<td>2</td>
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<tr>
<td><strong>Comment:</strong></td>
<td></td>
<td>18 points</td>
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### 5. Financing Characteristics

<table>
<thead>
<tr>
<th>Requirement</th>
<th>Max Pts.</th>
<th>Application</th>
</tr>
</thead>
<tbody>
<tr>
<td>a. Future maintenance and escrow plan</td>
<td>3</td>
<td>3</td>
</tr>
<tr>
<td>b. Additional rehabilitation expense</td>
<td>2</td>
<td>0</td>
</tr>
<tr>
<td>c. Low percentage of soft costs</td>
<td>2</td>
<td>0</td>
</tr>
<tr>
<td>d. Return part of income stream to community</td>
<td>1 to 2</td>
<td>2</td>
</tr>
<tr>
<td>e. Strength of applicant</td>
<td>1 to 2</td>
<td>2</td>
</tr>
<tr>
<td>f. Applicant not fully funded previously</td>
<td>1</td>
<td>0</td>
</tr>
<tr>
<td>g. Leverages other local or federal funding</td>
<td>1</td>
<td>0</td>
</tr>
<tr>
<td>h. Applicant is tax exempt</td>
<td>1</td>
<td>0</td>
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<tr>
<td>i. Local, Minority and Women involvement</td>
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<tr>
<td>1) LBE/MBE/WBE Subcontractors or Suppliers</td>
<td>1</td>
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<tr>
<td>2) LBE/MBE/WBE Subcontractors or Suppliers</td>
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### 6. Planning and Development Standards

<table>
<thead>
<tr>
<th>Requirement</th>
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<th>Application</th>
</tr>
</thead>
<tbody>
<tr>
<td>a. Design standards</td>
<td></td>
<td></td>
</tr>
<tr>
<td>a1. Brick/stone construction (50% to 100%)</td>
<td>1 to 2</td>
<td>0</td>
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<tr>
<td>a2. Landscaping exceeded by 35%</td>
<td>1</td>
<td>1</td>
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<tr>
<td>a3. Balconies/patios in units</td>
<td>1</td>
<td>1</td>
</tr>
<tr>
<td>a4. Carports or garages</td>
<td>1 to 3</td>
<td>3</td>
</tr>
<tr>
<td>a5. Neo-traditional design</td>
<td>1</td>
<td>0</td>
</tr>
<tr>
<td>a6. Building articulation</td>
<td>1</td>
<td>1</td>
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<tr>
<td><strong>Comment:</strong></td>
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</tbody>
</table>

### b. Development Amenities *(Families)*

<table>
<thead>
<tr>
<th>Requirement</th>
<th>Max Pts.</th>
<th>Application</th>
</tr>
</thead>
<tbody>
<tr>
<td>b1. Swimming pool</td>
<td>1</td>
<td>0</td>
</tr>
<tr>
<td>b2. Clubhouse/meeting rm./workout area &amp; kitchen</td>
<td>1</td>
<td>0</td>
</tr>
<tr>
<td>b3. Sports court</td>
<td>1</td>
<td>1</td>
</tr>
<tr>
<td>b4. Trails (30'unit) or connect to system</td>
<td>1</td>
<td>1</td>
</tr>
<tr>
<td>b5. Play structure w/specific features</td>
<td>1</td>
<td>1</td>
</tr>
<tr>
<td>b6. Other amenities - Sand vball, grills and shelters, fishing basin, in unit washer/dryer, hot tub per 100 units, in-unit fireplace, large patio w/seating area</td>
<td>1 to 2</td>
<td>2</td>
</tr>
<tr>
<td><strong>Comment:</strong></td>
<td></td>
<td>5 points</td>
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<tr>
<td>Tax Credit Review</td>
<td>Max Pts.</td>
<td>Application</td>
</tr>
<tr>
<td>---------------------------------------------------------------------------------</td>
<td>----------</td>
<td>-------------</td>
</tr>
<tr>
<td>c. Development Amenities <em>(Senior or Assisted living)</em></td>
<td></td>
<td></td>
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<tr>
<td>c1. Other amenities - beauty shop, rose garden, community garden, card tables</td>
<td>1 to 2</td>
<td>0</td>
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<tr>
<td>c2. On-site nursing</td>
<td>2 to 4</td>
<td>0</td>
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<tr>
<td>c3. Alzheimer's ward</td>
<td>1</td>
<td>0</td>
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<tr>
<td>c4. Rehab. services</td>
<td>1</td>
<td>0</td>
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<tr>
<td><strong>Comment:</strong></td>
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<tr>
<td>d. Neighborhood Organization Support</td>
<td>2 to 5</td>
<td>0 points</td>
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<tr>
<td><strong>Comment:</strong></td>
<td></td>
<td></td>
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<tr>
<td>e. Attached or Detached Single-Family Development</td>
<td>1 to 3</td>
<td>3 points</td>
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<tr>
<td><strong>Comment:</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Total Points</strong></td>
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<td>63</td>
</tr>
</tbody>
</table>
RESOLUTION NO.

WHEREAS, Tartan Residential, submitted an application to the Unified Government for a Resolution of Support for the use of Section 42 tax credits for the project Buchanan’s Crossing, a 100% accessible 24-unit duplex development serving disabled veterans & the mobility impaired in Kansas City, Kansas located at 706 North 65th Street, Kansas City, Kansas 66102; and

WHEREAS, the total cost of the development project is $4.3 million and the development will have 18 two-bedroom and 6 three-bedroom units; and

WHEREAS, this development project meets the policy for Section 42 Tax Credit development as approved by the Unified Government of Wyandotte County/Kansas City, Kansas; and

WHEREAS, on December 2, 2013 the Commission of the Unified Government of Wyandotte County/Kansas City, Kansas forwarded the application for a Resolution of Support to the public hearing date of December 19, 2013; and

WHEREAS, on December 19, 2013 the Commission of the Unified Government of Wyandotte County/Kansas City, Kansas approved a Resolution of Support for Tartan Residential for the use of Section 42 tax credits for the project Buchanan’s Crossing.

NOW THEREFORE, BE IT RESOLVED BY THE COMMISSION OF THE UNIFIED GOVERNMENT OF WYANDOTTE COUNTY/KANSAS CITY, KANSAS:

That the Commission of the Unified Government of Wyandotte County/Kansas City, Kansas hereby approves the Resolution of Support for Tartan Residential for the use of Section 42 tax credits for the project Buchanan’s Crossing, a 100% accessible 24-unit duplex development serving disabled veterans & the mobility impaired in Kansas City, Kansas to the Kansas Housing Resources Corporation.


UNIFIED GOVERNMENT CLERK
Type: Standard
Committee: Economic Development and Finance Committee

Date of Standing Committee Action: 12/2/2013
(If none, please explain):

Proposed for the following Full Commission Meeting Date: 12/19/2013
Confirmed Date: 12/19/2013

Changes Recommended By Standing Committee (New Action Form required with signatures)

Date: 11/21/2013
Contact Name: Lew Levin/Debbie Jonsch...
Contact Phone: 5186/5847
Contact Email: mschrick@wycokck.org
Ref: Finance
Department / Division:

Item Description:
Resolution authorizing the offering for sale of Municipal Temporary Notes and General Obligation Improvement Bonds of the Unified Government of Wyandotte County/Kansas City, Kansas.

<table>
<thead>
<tr>
<th>Temporary Notes</th>
<th>General Obligation Improvement Bonds</th>
</tr>
</thead>
<tbody>
<tr>
<td>Series 2014-I (Tax-Exempt)</td>
<td>Series 2014-A (Tax Exempt)</td>
</tr>
<tr>
<td>$ 69,008,520.67</td>
<td>$ 10,860,743.29</td>
</tr>
<tr>
<td>Series 2014-II (Taxable)</td>
<td>Series 2014-B (Taxable)</td>
</tr>
<tr>
<td>5,555,057.33</td>
<td>2,810,110.23</td>
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<tr>
<td>Series 2014-III (Tax-Exempt Co.)</td>
<td>Series 2014-C (Tax Exempt County)</td>
</tr>
<tr>
<td>4,900,000.00</td>
<td>10,028,150.38</td>
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</table>

Action Requested:
Please adopt resolution.

Publication Required

Budget Impact: (if applicable)

Amount: $
Source:
☑ Included In Budget
Consistent with CMIP and previously authorized projects.
☐ Other (explain)
RESOLUTION NO. ______

RESOLUTION AUTHORIZING THE OFFERING FOR SALE OF MUNICIPAL TEMPORARY NOTES AND GENERAL OBLIGATION IMPROVEMENT BONDS OF THE UNIFIED GOVERNMENT OF WYANDOTTE COUNTY/KANSAS CITY, KANSAS.

WHEREAS, pursuant to the provisions of the laws of the State of Kansas applicable thereto, by proceedings duly had, the governing body of the Unified Government of Wyandotte County/Kansas City, Kansas (the “Issuer”) has heretofore authorized certain internal improvements described as follows (the “Improvements”):

Series 2014-I Notes (Tax-Exempt)

<table>
<thead>
<tr>
<th>ACD</th>
<th>CMIP</th>
<th>Project Name</th>
<th>Estimated Project Fund Deposit</th>
</tr>
</thead>
<tbody>
<tr>
<td>963</td>
<td>5044</td>
<td>82nd &amp; Taueromme Storm Sewer Recon</td>
<td>$400,000.00</td>
</tr>
<tr>
<td>963</td>
<td>5042</td>
<td>83rd &amp; Ella Buyouts &amp; Capacity Enhancements</td>
<td>300,000.00</td>
</tr>
<tr>
<td>941</td>
<td>0814</td>
<td>ADA Pedestrian Ramp Improvements 2014 (970-1141)</td>
<td>600,000.00</td>
</tr>
<tr>
<td>969</td>
<td>8439</td>
<td>Animal Control Facility Expansion</td>
<td>160,000.00</td>
</tr>
<tr>
<td>971</td>
<td>4302</td>
<td>Armourdale Comm Cent Gym Roof Replacement</td>
<td>262,500.00</td>
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<tr>
<td>941</td>
<td>0414</td>
<td>Arterial/Collect Resurfacing 2014 (970-1302)</td>
<td>900,000.00</td>
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<tr>
<td>969</td>
<td>8444</td>
<td>Communication Center Roof Replacement</td>
<td>75,000.00</td>
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<tr>
<td>948</td>
<td>0114</td>
<td>Elevator Upgrades City 2014 (969-8167)</td>
<td>220,000.00</td>
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<tr>
<td>948</td>
<td>0214</td>
<td>Facilities Parking Maint &amp; Repair-City 2014 (969-8513)</td>
<td>1,500,000.00</td>
</tr>
<tr>
<td>969</td>
<td>8063</td>
<td>FS #2 Infrastructure</td>
<td>28,000.00</td>
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<tr>
<td>969</td>
<td>8011</td>
<td>FS #5 Ramp Replacement</td>
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<td>969</td>
<td>8065</td>
<td>FS #5 Remodel</td>
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<td>969</td>
<td>8085</td>
<td>FS #7 Rear Ramp Replacement</td>
<td>70,000.00</td>
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<td>941</td>
<td>0114</td>
<td>Industrial District Repairs 2014 (970-1113)</td>
<td>500,000.00</td>
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<tr>
<td>962</td>
<td>2168</td>
<td>James Street Viaduct at State Line</td>
<td>700,000.00</td>
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<tr>
<td>971</td>
<td>7863</td>
<td>Kaw Point Park Connector Trail - 2013</td>
<td>510,000.00</td>
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<tr>
<td>978</td>
<td></td>
<td>Metropolitan Ave. TIF – Project Area 2</td>
<td>3,700,000.00</td>
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<tr>
<td>963</td>
<td>5315</td>
<td>Merriam Lane 10th to 24th Storm Sewer Upgrades</td>
<td>1,200,000.00</td>
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<tr>
<td>970</td>
<td>1611</td>
<td>Missouri River/Jersey Creek Trail, 5th Street</td>
<td>470,000.00</td>
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<tr>
<td>969</td>
<td>8194</td>
<td>Municipal Office Building Security &amp; Facility Improvements</td>
<td>225,000.00</td>
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<tr>
<td>941</td>
<td>0214</td>
<td>Neighborhood Street Resurfacing 2014 (970-1209)</td>
<td>1,083,164.96</td>
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<tr>
<td>963</td>
<td>6121</td>
<td>Pilot I&amp;J Reduction Projects-Loc TBD</td>
<td>2,500,000.00</td>
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<td>963</td>
<td>6120</td>
<td>Pump Station 41 Improvements</td>
<td>1,000,000.00</td>
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<td>963</td>
<td>6197</td>
<td>Pump Station 6 Improvements</td>
<td>500,000.00</td>
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<td>963</td>
<td>6039</td>
<td>Relocation of Sewer Office, Storage &amp; Maintenance Facilities</td>
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<td>963</td>
<td>5311</td>
<td>51st &amp; Rowland Short Span Structure Replacement</td>
<td>301,219.11</td>
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<tr>
<td>962</td>
<td>2134</td>
<td>55th St. Bridge Over Nearman Creek</td>
<td>1,524,894.60</td>
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<tr>
<td>948</td>
<td>0311</td>
<td>ADA Modifications - UG Facility 2011 (969-8181)</td>
<td>303,842.68</td>
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<tr>
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<td>ADA Modifications - UG Facility 2013 (969-8181)</td>
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<td>970</td>
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<td>Center City Traffic Signal Reconstruction</td>
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<td>Central Avenue Rehab (I-70 to 18th)</td>
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<td>Project Name</td>
<td>Estimated Project Fund Deposit</td>
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<tr>
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<tr>
<td>963</td>
<td>6220</td>
<td>CID Bar Screen(s) Replacement</td>
<td>302,208.57</td>
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<td>963</td>
<td>6190</td>
<td>CSO Water Quality Sampling Update</td>
<td>303,842.68</td>
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<td>963</td>
<td>6194</td>
<td>Digester Roof &amp; Gait Structure Repairs</td>
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<td>963</td>
<td>6042</td>
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<td>973</td>
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<td>Fire Maintenance/Storage Facility - City, Fire Dept</td>
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<td>8071</td>
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<td>8073</td>
<td>FS #18 Roof Replacement</td>
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<td>FS #3 Roof Replacement</td>
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<td>1215</td>
<td>Hutton Road - Cleveland to Leavenworth</td>
<td>400,711.26</td>
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<td>963</td>
<td>6219</td>
<td>IMS Implementation Program</td>
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<td>Industrial District Repairs 2013 (970-1113)</td>
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<td>963</td>
<td>6216</td>
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<td>969</td>
<td>8062</td>
<td>Kaw Point Disenfection</td>
<td>7,138,281.68</td>
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<td>963</td>
<td>6192</td>
<td>Kaw Point Grit Box &amp; Bar Screen Improvements</td>
<td>1,575,960.67</td>
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<td>963</td>
<td>6199</td>
<td>Kaw Point Solids Dewatering Rehabilitation</td>
<td>5,013,588.64</td>
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<td>970</td>
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<td>KDOT Message Boards</td>
<td>115,741.96</td>
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<td>3109</td>
<td>Leavenworth Road, 72nd &amp; 55th Intersections (Traffic Signals)</td>
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<td>970</td>
<td>1292</td>
<td>Merriam Lane Improvements 10th to 24th</td>
<td>3,606,360.62</td>
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<td>970</td>
<td>1052</td>
<td>Merriam Lane, County Line Road to 24th</td>
<td>800,711.26</td>
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<tr>
<td>963</td>
<td>6189</td>
<td>Muncie Creek</td>
<td>1,514,587.07</td>
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<td>0213</td>
<td>Neighborhood Street Resurfacing 2013 (970-1209)</td>
<td>1,806,401.29</td>
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<tr>
<td>970</td>
<td>1174</td>
<td>Oak Grove Rd - 53rd to 55th</td>
<td>250,889.06</td>
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<td>6196</td>
<td>Phase I SSES Compliance Program</td>
<td>2,717,213.19</td>
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<td>971</td>
<td>4424</td>
<td>Pierson Lake Dam Study &amp; Repair</td>
<td>350,177.81</td>
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<tr>
<td>963</td>
<td>6023</td>
<td>Plant #20 Building &amp; Lighting Improvements</td>
<td>579,641.62</td>
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<td>969</td>
<td>8380</td>
<td>Reardon Center Facility Improvements</td>
<td>150,177.81</td>
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<tr>
<td>970</td>
<td>1161</td>
<td>State Ave. 73rd to 82nd St.</td>
<td>2,373,308.91</td>
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<tr>
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<td>1199</td>
<td>State Avenue, 82nd - 94th Street</td>
<td>2,367,983.17</td>
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<td>970</td>
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<td>SW Blvd Bicycle Lanes - Iowa to State Line (CMAQ)</td>
<td>180,248.94</td>
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<tr>
<td>970</td>
<td>3345</td>
<td>Traffic Signal Replacements (Priority)</td>
<td>273,469.08</td>
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<tr>
<td>963</td>
<td>5005</td>
<td>Turkey Creek</td>
<td>5,165,647.60</td>
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<tr>
<td>971</td>
<td>4425</td>
<td>Wyandotte County Lake Waterline Study &amp; Repair</td>
<td>440,142.27</td>
</tr>
</tbody>
</table>

**Series 2014-I Estimated Total Project Fund Deposit = $69,008,520.67**

**Series 2014-II Notes (Taxable)**

<table>
<thead>
<tr>
<th>ACD</th>
<th>CMIP</th>
<th>Project Name</th>
<th>Estimated Project Fund Deposit</th>
</tr>
</thead>
<tbody>
<tr>
<td>978</td>
<td>1045</td>
<td>Midtown Redevelopment TIF</td>
<td>$5,555,057.33</td>
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</tbody>
</table>

**Series 2014-II Estimated Total Project Fund Deposit = $5,555,057.33**

**Series 2014-III Notes (Tax-Exempt, County)**

<table>
<thead>
<tr>
<th>ACD</th>
<th>CMIP</th>
<th>Project Name</th>
<th>Estimated Project Fund Deposit</th>
</tr>
</thead>
<tbody>
<tr>
<td>974</td>
<td>7826</td>
<td>Emergency Communications Equipment Project</td>
<td>$4,900,000.00</td>
</tr>
</tbody>
</table>

**Series 2014-III Estimated Total Project Fund Deposit = $4,900,000.00**
WHEREAS, it is necessary for the Issuer to provide cash funds (from time to time) to meet its obligations incurred in constructing the Improvements prior to the completion thereof and the issuance of the Issuer’s general obligation bonds, and it is desirable and in the interest of the Issuer that such funds be raised by the issuance of one or more series of temporary notes of the Issuer;
WHEREAS, the Issuer has heretofore issued $52,545,000.00 principal amount of Municipal Temporary Notes, Series 2013-I; $7,330,000.00 principal amount of Taxable Municipal Temporary Notes, Series 2013-II; $13,275,000 principal amount of Municipal Temporary Notes, Series 2013-III; $750,000 principal amount of Taxable Municipal Temporary Notes, Series 2013-IV; and $253,000 principal amount of Taxable Municipal Temporary Notes, Series 2013-V; and

WHEREAS, all aspects of the Improvements being financed with the temporary notes will not be completed prior to the maturity date of the Existing Notes and it is necessary for the Issuer to provide cash funds to meet its obligations on a portion of the Existing Notes by the issuance of one or more series of additional temporary notes of the Issuer;

WHEREAS, the Issuer desires to issue its general obligation bonds in one or more series in order to permanently finance a portion of the costs of the Improvements and to retire a portion of the Existing Notes which were issued to temporarily finance a portion of the costs of the Improvements;

WHEREAS, the Issuer hereby selects the firm of Springsted, Incorporated, Saint Paul, Minnesota (“Financial Advisor”), as financial advisor for one or more series of municipal temporary notes and one or more series of general obligation bonds of the Issuer to be issued in order in order to provide funds to pay the costs of the Improvements;

WHEREAS, the Issuer desires to authorize the Financial Advisor, in conjunction with the Clerk, Chief Financial Officer, and other officers and representatives of the Issuer to proceed with the offering for sale of said municipal temporary notes and general obligation bonds, and related activities;

WHEREAS, one of the duties and responsibilities of the Issuer is to prepare and distribute a preliminary official statement relating to said municipal temporary notes and general obligation bonds; and

WHEREAS, the Issuer desires to authorize the Financial Advisor, in conjunction with the Clerk, and other officers and representatives of the Issuer to proceed with the preparation and distribution of a preliminary official statement and notice of bond sale and to authorize the distribution thereof and all other preliminary action necessary to sell said municipal temporary notes and general obligation bonds.

BE IT RESOLVED BY THE GOVERNING BODY OF THE UNITED GOVERNMENT OF WYANDOTTE COUNTY/KANSAS CITY, KANSAS, KANSAS, AS FOLLOWS:

Section 1. The Issuer is hereby authorized to offer at competitive public sale one or more series of municipal temporary notes and one or more series of general obligation improvement bonds to fund total project costs of approximately $103,162,581.90 plus interest and costs of issuance (collectively, the “Obligations”) as described in the Notice of Sale to be prepared by officials and representatives of the Issuer, as authorized below. Such project costs may be paid through the issuance of tax-exempt or taxable Obligations.

Section 2. The Mayor/Chief Executive and Clerk are hereby authorized to cause to be prepared a Preliminary Official Statement, and such officials and other representatives of the Issuer are hereby authorized to use such document in connection with the public sale of the Obligations.

Section 3. The Clerk, in conjunction with the Financial Advisor and Gilmore & Bell, P.C., Kansas City, Missouri (“Bond Counsel”), is hereby authorized and directed to give notice of said bond
sale by publishing a summary of the Notice of Sale not less than 6 days before the date of the bond sale in
a newspaper of general circulation in Wyandotte County, Kansas, and the Kansas Register and is hereby
authorized to distribute copies of the Notice of Sale and Preliminary Official Statement relating to the
Obligations to prospective purchasers of the Obligations. Bids for the purchase of the Obligations shall
be submitted upon the terms and conditions set forth in said Notice of Sale, and shall be delivered to the
governing body at its meeting to be held on the date of such sale, at which meeting the governing body
shall review such bids and shall award the sale of the Obligations or reject all bids for a particular series
of the Obligations.

Section 4. For the purpose of enabling the purchaser(s) of the Obligations (collectively, the
“Purchasers”) to comply with the requirements of Rule 15c2-12 of the Securities Exchange Commission
(the “Rule”), the appropriate officers of the Issuer are hereby authorized: (a) to approve the form of said
Preliminary Official Statement; (b) covenant to provide continuous secondary market disclosure by
annually transmitting certain financial information and operating data and other information necessary to
comply with the Rule to certain national repositories and the Municipal Securities Rulemaking Board, as
applicable; and (c) take such other actions or execute such other documents as such officers in their
reasonable judgment deem necessary; to enable the Purchasers to comply with the requirement of the
Rule.

Section 5. The Issuer agrees to provide to the Purchasers within seven business days of the date
of the sale of Obligations or within sufficient time to accompany any confirmation that requests payment
from any customer of the Purchasers, whichever is earlier, sufficient copies of the final Official Statement
to enable the Purchasers to comply with the requirements of Rule 15c2-12(3) and (4) of the Securities and
Exchange Commission and with the requirements of Rule G-32 of the Municipal Securities Rulemaking
Board.

Section 6. The Mayor/Chief Executive, Clerk and the other officers and representatives of the
Issuer, Bond Counsel and the Financial Advisor are hereby authorized and directed to take such other
action as may be necessary to carry out the public sale of the Obligations.

Section 7. This Resolution shall be in full force and effect from and after its adoption.

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ADOPTED by the governing body on December 19, 2014.

(SEAL)

ATTEST:

________________________________________
Mayor/Chief Executive

________________________________________
Clerk
Type: Standard

Committee: Economic Development and Finance Committee

Date of Standing Committee Action: 11/4/2013

Proposed for the following Full Commission Meeting Date: 12/19/2013

Date: 10/28/2013
Contact Name: Lew Levin
Contact Phone: 5186
Contact Email: mschrick@wycokck.org
Ref: Department / Division: Finance

Item Description:
This is the second series of financial policies being presented to Standing Committee for review and adoption. As previously indicated these financial policies are strongly recommended by the Government Finance Officers Association and Credit Agencies and are integral to government operations and financial planning. (Request approval and forward to Full Commission on 12/19/13 of these policies.)

1) Budget policy assists stakeholders in budget process and clarifies roles of staff, administration, governing body, and citizens. Policy further discusses budget controls and budget revision and amendment process.
2) Long-term Financial Plan-refers to the preparation of a 5-year financial forecast consistent with the 5-year capital plan. The plan will consider current and future fiscal conditions and should be used as input government financial planning.
3) Debt Policy-sets forth guidelines for issuance and payment of debt. The policy establishes targets for debt issuance; indicates purposes for debt issuance; and discusses the government-backing of debt. Also details debt restrictions and debt structuring are reviewed.
4) CMIP Policy-describes the process for preparing and approving the government’s 5-year CMIP. The roles of Departments, Administration, Planning Commission, and the Unified Government Commission are reviewed. The CMIP is a critical piece of the budget review and final adoption.

Action Requested:
These Financial policies are being presented to the Economic Development and Finance Standing Committee in groups of three through the remainder of 2013. The budget policy is a carryover from the prior month.

Adopt policies.

Publication Required

Budget Impact: (if applicable)

Amount: $
Source:
☐ Included In Budget
☐ Other (explain)

File Attachment
File Attachment
September 23, 2013

Finance Department will be presenting nine policies to the Economic Development and Finance Standing Committee over the next three months. Three policies will be submitted to each of the next three Standing Committee meetings for Commission consideration and input. At each meeting, staff will present the policy; a brief summary statement; and overview. The policies are contained in the budget document. The schedule for review of the policies is indicated below.

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Budget Policy

What is the Budget?

Budgeting is not a "clerical" process nor is it an exercise in "counting the beans – where they come from and where they go." The National Advisory Council on State and Local Budgeting (NACSLB) calls the budget document "arguably the single most important document prepared by governments". It's one of the single-most important documents produced each year. It is a policy document, financial plan, operations guide, and communications tool all rolled into one. It shares what money is available, where it goes, what services are provided and at what costs. The Unified Government's budget has four main functions. It is a Policy Document, a Financial Plan, an Operations Guide, and a Means of Communication.

Policy Document: This is the most significant function of the budget document. In its broad context, it pertains to long-term, organization-wide policies that establish broad goals, direct how and where resources are spent, and establish a framework for providing and funding services. As a Policy Document, the budget also describes the County's short-term financial and operational policies which influence the budget development process for the upcoming year, for example: the goals and objectives of the County's departments, new programs, staffing requirements, etc. Finally, the policy function articulates the most significant choices and decisions regarding key issues, priorities, ramifications and how these have changed from the current year.

Financial Plan: As a financial planning tool, the budget provides an explanation of the County's financial structure; descriptions of its funds; summaries of major revenues and expenditures; narratives for the major revenue sources; and assumptions associated with revenue estimates and trends. The budget provides a comprehensive discussion of capital projects and their impact on the operating budget, includes financial data and narrative on current debt levels and debt limits, and addresses the potential effect of existing debt levels on the future operations of the County.

Operations Guide: The budget document is designed to be a readable guide to the County's varied activities and services. It is a valuable resource which includes summary tables of personnel and positions, community statistical information, measurements of performance, and other information often referred to by department directors, managers, and the citizens.

Communications Device: To be an effective communication tool, the budget must be able to clearly explain significant budgetary issues, trends, and priorities; short-term and long-term financial strategies; capital improvement plans; and significant budgetary impacts to elected officials, department heads and their staff, and to the citizens for whom they work. The Unified Government is has been striving over the past several years to provide the most comprehensive, yet "readable" and usable document possible. The following section describes the budget process.
Budget Control System

The Unified Government’s budgeting system is a program based line item process. Departments prepare operating and capital program budgets at a detailed level.

All Unified Government Tax Levy Funds are required to balance according to Kansas Stated Statute (K.S.A 79-2967).

The level of control is established at the fund level by State statutes, which also permits the transfer of budgeted amounts from one category to another within the same fund. Funds cannot be transferred between departments without obtaining approval from administration.

The Unified Government further controls spending by requiring that no expenditures be committed that would exceed the amount appropriated for the spending category (e.g., Personnel, Services, Commodities, Capital) without the department first obtaining approval.

The following types of budget transfers require approval from both from the department director and county administrator’s office:

- An appropriation of contingency funds.
- An appropriation of reserve funds.
- Transfers that move funds between operating and capital budgets.
- Transfers within a fund that are equal to or greater than $10,000.

The following actions require budget director’s approval before execution:

- Pre Bid Contracts
- Capital Project Contracts
- Capital Equipment Purchases
- Changing status of an unfunded personnel position to funded or creation of a new personnel position.

The following budgetary controls have been implemented and will be adhered to by all departments and divisions:

- Transfers from the salary accounts require department director, chief financial officer, and County Administrator’s Office approvals.
- Funds may be transferred between other accounts with department director approval.
- Transfers from the personnel accounts require approval from the department director, chief financial officer and county administrator’s office. Funds may be transferred between other accounts with department director approval. Fund transfers are allowed from one division to another division within the same fund category. Additionally, all transfers must be approved by the department director and the transferring division manager.
Commission approval is required for budget amendments at the fund level, in accordance with K.S.A. 79-2929a.

There are four categories of budget expenditures with differing controls as follows:

1. Commission review is necessary for discretionary expenditures that exceed $50,000 and do not impact operations or present an immediate health and safety concern. Discretionary expenses include legal settlements (excluding legal fees), new capital projects, property acquisition payments, or other initiatives not previously reviewed by the governing body.

2. The County Administrator has authority to approve budget revisions that exceed $50,000 for matters involving health and safety concerns, other emergencies or to sustain on-going operations, subject to approval by the Mayor or the Mayor pro-tem, if the Mayor is absent. These revisions will be reported to the next scheduled meeting of the Economic Development and Finance Standing Committee.

3. The County Administrator has authority to approve budget revisions from $10,000 to $50,000 for emergencies, health and safety concerns, new capital projects, legal settlements, property acquisition, or to sustain on-going government operations. These revisions will be reported to the Economic Development and Finance Standing Committee on a quarterly basis.

4. Routine day-to-day Department expenditures, less than $10,000, are managed by the Department and are subject to the Administration controls set forth in this policy and do not require Commission review.

In addition to internal budget controls, the Unified Government must comply with the Kansas budget law, K.S.A. 79-2925 et seq., and the Kansas cash basis law, K.S.A. 10-1101 et seq. The budget law requires local governments to adopt a balanced budget and not to raise taxes or spend moneys other than as provided in the budget. The cash basis law is designed to prohibit cities and counties from spending money they don't have or incurring obligations they cannot meet promptly. Both the budget law and the cash basis law make it unlawful to create any indebtedness in excess of the amount of money budgeted and appropriated for the purpose during the current budget year. Any contract of the municipality creating indebtedness, in violation of the law is declared void. Accordingly, multi-year contracts must have a provision that allows cancellation of the contract if the funding to pay the obligation is not appropriated for the budget year. There are certain exceptions to the cash basis law in the Kansas statutes, specifically pertaining to the issuance of certain types of government debt.
Nothing in either the budget or cash basis laws prohibits the transfer of funds from one account within the general fund to another account if needed.

**Budget Amendments**

*Budget Amendments* require formal approval of the Commission as allowed by State Statute. An Amendment may only be made for previously unbudgeted increases in revenue other than ad valorem taxes. The UG may authorize an amendment of any current fiscal year budget, at the fund level, for the current fiscal year operating budget.

It is the policy of the UG to amend a fund's budget for emergencies, federal and state mandates, or other circumstances which could not be anticipated, and only if sufficient funds are available. A budget may not be amended simply because additional revenues become available. If unexpected or unfunded expenditures must be made, department directors are expected to manage their available resources and reevaluate priorities before requesting a budget amendment.

The Chief Financial Officer submits to the Commission a request to amend the budget. The request contains explanations written by the director(s) of the department(s) needing additional funds. The request also includes a proposal for financing the additional expenditures. To do this a notice of public hearing to amend the budget must be published in the local newspaper. At least ten days after the publication the hearing may be held and the governing body may amend the budget at that time.
LONG-TERM FINANCIAL PLAN POLICY

Each year during the budget process, Unified Government staff shall include in the budget submittal a 5-year forecast for the general and debt service funds of operating and capital expenditures. In addition, the UG will prepare and adopt a 5-year CMIP plan that is a part of the forecast process. The financial forecast will be updated annually. It is the objective of the forecast to achieve a balanced budget during the 5-year period. As part of the budget message, the County Administrator will advise the Commission of potential long-term positive and adverse trends. This forecast will also be available to Commission for input during strategic planning sessions.

The UG’s financial forecast should reflect the Commissioner’s vision, values, goals, priorities. The forecast will consider current and future fiscal conditions and challenges; and support government fiscal policy and decision-making efforts.

The financial forecast will consider such factors as:

Revenues
Casino related revenue; franchise and utility payments in lieu of tax; interest rate trends; property valuations; retail sales taxes; and STAR Bond revenues.

Expenses
Capital improvement projects 5-year plan; fuel and utility cost trends; pension obligations, including KPERS/OPEB liabilities; insurance/liability, including employee, workers compensation; scheduled debt payments; and union contracts.

Government Actions
Federal and State mandates; and inter-government grants.

Socio-economic
Residential and socio-economic trends

The projections may be derived using both quantitative and qualitative methods. Trend analysis may be an important component of the forecast.

This policy will be reviewed on an annual basis.
Debt Policy

The UG Debt Policy sets forth comprehensive guidelines for the issuance and repayment of long-term debt. Debt financing serves as a tool to finance large capital investments that cannot be funded on a pay-as-you-go basis.

The UG should not issue long-term debt to finance current operations. The UG is committed to systematic capital planning and intergovernmental cooperation and coordination. Debt issuance should be consistent with the government’s financial plan.

Debt financing, may include general obligation, special assessment, and revenue bonds; temporary notes; lease/purchase agreements, and other permitted obligations. Debt will be issued in accordance with all applicable federal and state laws. Additionally, the UG will maintain full and complete financial disclosure and reporting.

Financial Limitations established by the UG include:

- Annual debt service payments, excluding Enterprise Funds, are targeted at 10% - 12% of total budget authority of tax levied funds.
- The UG will follow Kansas Statutes setting financial debt limitations. The amount of outstanding debt cannot exceed 30% of the county’s assessed valuation.
- The UG will examine and consider other indicators, such as per capita and net direct debt as measures of the community’s ability to support debt.

Debt Issuance factors the UG will consider are:

- The target for general obligation support for new debt is established during the budget process. Historically the level of support has been $10-$20 million.
- The government recognizes the importance of maintaining strong credit ratings. Current bond ratings for Moody’s and Standard & Poor’s are at the AA level.
- Financing terms should not exceed the asset’s useful life.
- Enterprise Funds, including Sewer, Storm-water, EMS, Golf Course and the Public Levee should support debt issued for projects related to these activities.
- General obligation backing should be used for essential government services or projects with an asset life of 5-years or greater.
- Economic development and Tax Increment Financing (TIF) should be supported by project revenues, unless otherwise approved by the Commission.
- The UG will determine if the debt should be issued on city/county basis.
Debt Restrictions for long-term financing include:

- The UG should not issue debt to finance current operations.
- Debt should not be used for annual capital expenditures unless deemed a high priority by the UG Commission.
- The UG will use temporary note financing to complete projects prior to permanent financing, unless final project costs and timelines have been determined.

The UG will use the following criteria to evaluate pay-as-you-go versus long-term debt financing. Factors favoring pay-as-you-go financing for projects include:

- The project can be funded using available revenues within the project timeline.
- Government debt levels are negatively impacting the credit rating.
- Unstable market conditions exist.

Factors supporting long-term debt financing for projects include:

- Interest rates and debt financing demand are favorable for the UG.
- Sufficient funding is not available for mandated federal and state projects or emergencies.
- Project life is 5-years or longer.

Debt Structuring will consider various factors, including the financial forecast, property tax requirements and the objective to retire principal in a timely manner. Specifically:

- Debt schedules will in most instances be structured for a 20-year term or less.
- General obligation bonds will typically be amortized with level principal/interest payments.
- Revenue bonds will be structured to align with available or projected pledged revenues.
- Enterprise funds will budget a transfer payment to the debt service fund to cover the scheduled debt payments for their specific projects financed under general obligation bond authority.
- The UG may include call options in the financing structure to achieve future interest savings by the early refunding of the debt obligation.
- Credit enhancements may be used to reduce borrowing costs, if the project has clear public benefit.
- Capitalization of interest is acceptable to allow interim financing for a project or development that is projected to generate revenue in future years.
**Debt Issuance Process** – Debt issuance will comply with all federal and state requirements. The government’s Board of Commissioners must authorize the debt issuance. Guidelines include the following:

- The UG shall seek to issue its general or revenue bond obligations in a competitive sale, unless the government’s Chief Financial Officer and/or financial advisor recommend an alternative approach.
- If competitive bids are evaluated to be unsatisfactory, alternative approaches may be considered.
- When a negotiated sale process is determined to be the most efficient financing alternative, the UG will use a competitive process for selection of the investment banking team.

Considerations for a negotiated sale include: interest rates, special obligation financing and the project time schedule.

The UG will use professionals to assist in authorizing and structuring the financing sale. The outside professionals may include the government’s financial advisor, bond counsel, underwriter, bank trustee, or paying agent.

Selection of professional services will be done in accordance with the government’s procurement process.

Debt issued by the UG will be *managed and monitored* by the Chief Financial Officer.

- The investment of bond proceeds will adhere to the government’s Cash Management Investment Policy. Also, the government has adopted and implemented a tax-exempt compliance policy, applicable after debt issuance.

Bond Refunding - The UG will consider refunding to achieve interest cost savings, targeted at a minimum of 3% net present value savings; to restructure debt to align with the government’s financial forecast; or to modify the credit backing of a debt obligation.

Market and Investor Relations – An official statement will be completed for competitive financing and the UG will comply with ongoing disclosure requirements. The UG’s Comprehensive Annual Financial Report and information about the socio-economic trends will be reported to credit agencies on an annual basis.

Credit Rating Goal – The UG’s goal for its general obligation bond financing is to remain at the ‘AA’ rating level. If a specific financing does not have government backing or credit enhancement, then the debt may be issued without a rating.

Credit Risk - The UG recognizes the importance of limiting interest, credit or budget risk. The UG will not consider the issuance of derivatives. Variable rate debt will not be used in the issuance of General Obligation debt, but may be considered for development projects backed by project revenue.
CMIP Policy

The Capital Maintenance Improvement Program (CMIP) is a long-term planning tool intended to assist management in financial forecasting that allows for prioritization, financing, coordination, and technical design of all capital assets.

The CMIP is a 5-year plan of capital project improvements and equipment needs. Each year the document is updated and presented to Commission for approval. Changes may include the addition of new projects or equipment, as well as, the reprioritization or removal of other capital.

Project Improvements can include construction, reconstruction, rehabilitation or maintenance of a capital asset. Equipment needs can include replacement, upgrade or purchase of new equipment. Capital assets are usually defined as having a cost estimate greater than $5,000 and may require engineering support or consulting services to evaluate, design, and prepare documents. The capital program may include maintenance projects that result in new fixed assets.

Process for including an item in the CMIP:

- CMIP requests are submitted to the Finance Department by a:
  - Department request in response to need;
  - Public request identified at a public hearing or from direct contact with the department; or a
  - Commission request for an improvement need within a district.

- Administrative Review – Administration and the assigned department will review all projects/equipment submitted.

- Planning Commission Review – The CMIP is presented to a designated Planning Commission Meeting for project review and comment.

- UG Mayor & Commission Review – Project and equipment committee meetings are held for Commissioners to review and comment on items that have been submitted.

Once finalized the CMIP Project and Equipment lists are submitted to the entire Commission for approval during the budget process.
This CMIP is directly linked to the budget process, land-use planning, facility plan implementation, coordination with the state, county, and other local municipalities, and the ongoing direction of the UG leaders.

The operating budget includes capital projects and equipment that are generally of a recurring nature and are appropriated for one year only. Changes from year to year for annual or reoccurring projects represent incremental variances in the cost of doing business.

Projects that result in procurement or construction of major physical assets for the UG are aligned with the governments financial forecast. Resources for the capital plan can come from the same resources as the operating budget, but the more costly projects are funded by bond and temporary note financing.

Expenditures in the CMIP must equal the estimated resources available for capital spending and weigh the full costs of proposed projects in relation to funding sources.

Capital projects and equipment should be funded on a pay-as-you-go (cash) basis and/or debt financing (lease 3-10 years, general obligation bonds 15-20 years).

Periodic status reports will be presented to the UG Mayor, commissioners and staff to share project progress and identify significant issues associated with a project.

Upon completion of a capital project, any remaining appropriated funds for the project will revert to the fund balance of the funding source.
**Staff Request for Commission Action**

**Type:** Standard  
**Committee:** Economic Development and Finance Committee

**Date of Standing Committee Action:** 12/2/2013  
(If none, please explain): Final ED/F Standing Committee Action - 1/6/14

**Proposed for the following Full Commission Meeting Date:**  
1/23/2014

**Confirmed Date:** 1/23/2014

**Action Requested:**  
Presented for review and future discussion with adoption requested at January of 2014.

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**Item Description:**  
This is the final group of policies being presented to Standing Committee for Review and Adoption. As previously indicated these policies are strongly recommended by the Government Finance Officers Association and Credit Agencies and are integral to government operations and financial planning. *(For review only at this time.)*

1) Accounting, auditing, and financial reporting- Discusses the respective roles of the Accounting Division, Legislative Auditor, and external auditor and the preparation of the government's annual financial statements.

2) Risk Management and Internal Controls- indicates polices for protecting government assets, maintaining a safe working environment and discusses the review and implementation of internal controls to assure against risk.

3) Local Economic Development Policy - reviews the goals and objectives for economic development and summarizes the government's development tools and incentives.

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**Publication Required**

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**Budget Impact:** (if applicable)

**Amount:** $

**Source:**

- Included In Budget  
  - Presented as draft policy in the budget.
- Other (explain)

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**File Attachment**

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**File Attachment**

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**File Attachment**
ACCOUNTING, AUDITING & FINANCIAL REPORTING

The UG will maintain a system of financial monitoring, control, and reporting for all operations and funds in order to provide effective means of ensuring that the Mayor and Commissioner goals and objectives are met.

UG Economic Development and Finance Committee

The Economic Development and Finance Committee members are appointed by the Mayor. It consists of five (5) members of the Commission and a designated board member from the Board of Public Utilities (BPU). The Deputy County Administrator, Finance Director, Economic Development Director and Chief Legal Counsel will represent staff and attend meetings as required.

The function of the committee will include:

a. Review the external financial audit
b. Approve investment policy and reviews investment portfolio
c. Policy review
d. Approves and forwards capital debt financing items to full commission
e. Recommends development financial incentives, policies and agreements
f. Considers other financial matters

Meetings are scheduled on a monthly basis or more frequently as needed at City Hall.

Accounting

The accounting practices of the UG will conform to Generally Accepted Accounting Principles (GAAP) for local governments as established by the Governmental Accounting Standards Board (GASB). The Chief Financial Officer will establish and maintain a system of fund accounting and shall measure financial position and results of operations using the modified accrual basis of accounting for governmental funds and the accrual basis of accounting for proprietary and fiduciary funds.

The UG will maintain its accounting records in accordance with state and federal law and regulations. Budgetary reporting will be in accordance with the state's budget laws and regulations.
Auditing

The Legislative Auditor and UG External Auditor will annually perform the UG’s financial and compliance audit. Their opinions will be contained in the Comprehensive Annual Financial Report (CAFR). Results of the annual audit shall be provided to the Commission in a timely manner.

The Legislative Auditor’s Office will provide independent reviews of the operations of the Unified Government. The office will perform post audit reviews to ensure that recommendations made in an audit are implemented and work with UG management to ensure that internal controls are in place and are being practiced.

Reporting

As an additional independent confirmation of the quality of the UG’s financial reporting, the Finance Department will annually seek to obtain the Government Finance Officers Association Certificate of Achievement for Excellence in Financial Reporting. The Comprehensive Annual Financial Report (CAFR) will be presented, designed and communicated to citizens about the financial affairs of the UG. Staff will prepare quarterly Interim Financial Reports for administration and present financial reports to the Mayor and commission 3-times a year.

The Chief Financial Officer will highlight and advise the Commission of positive and/or negative financial information including an assessment of the impact on the UG budget and financial condition. The current year’s budget is amended on an annual basis to address financial trends and budget variances.
Independent Audit

The independent auditor plays a vital role in providing financial statements that are accurate and reliable. The UG will ensure a fair, equitable and transparent process for selecting the independent auditor. The independent auditor will meet with the committee chair prior to the onset of the audit to discuss issues or items of concern and present to the Economic Development and Finance Committee. The audit statement and findings will be presented to the full commission.

The administration will utilize key criteria for selecting the independent auditor. The auditor shall:

- Maintain a certified public accountant license practice in Kansas;
- Demonstrate experience and skill in governmental accounting and auditing; and
- Have sufficient resources to complete the audit in a timely fashion;

The auditor will be independent from the UG and conform to the independence standards put forth in the General Accountability Office's Government Auditing Standards.
RISK MANAGEMENT & INTERNAL CONTROLS

The UG’s Risk Management and Internal Controls policy establishes proper procedures to safeguard UG assets and ensure efficiency of UG operations. This policy applies to all assets whether they are monetary or physical.

The UG must use resources efficiently. By optimal use and effective management of those resources, the UG can achieve its goals, ensure compliance with all applicable laws and regulations and ensure reliability in financial reporting.

The Risk Management and Internal Controls policy directs staff to protect the UG against losses affecting its assets and its ability to provide ongoing services. In addition, to the extent possible, the policy ensures safe work, security and service environment for UG staff and members of the community. The final objective of the Risk Management and Internal Controls policy is to limit/minimize the cost of implementing the UG’s risk management activities.

The UG Committee, comprised of Legal, Human Resources, Purchasing and County Administrative Office, is responsible for the risk management program and the carry-out the organization-wide risk management activities.

Implementation components may include:

- Selection of insurance providers and coverage
- Selection of risk management consultant
- Selection of insurance broker
- Reviewing of contracts for potential exposure
- Implementing and monitoring safety programs
- Identifying exposures which can have an adverse effect to UG assets and employees
- Introducing programs to lessen the possibility of loss or injury to all UG employees
- Submitting annually to the Mayor and Commission a status report of the risk management program
- Periodic committee meetings to review the risk management program

Risk Management. The Unified Government’s insurance coverage consists of both a self-insurance policy and policies maintained with various carriers. Exposure to various risks associated primarily with weather related incidents such as wind, hail and storm damage is covered by property insurance.
**Accident and Health.** The Unified Government is both self-insured and fully insured for accident and health claims. Claims for Unified Government employees (except for BPU employees) are administered through a third party administrator for the Unified Government’s self-insured plan. Premiums are paid by employer and employee contributions into an internal service fund and are available to pay claims and costs of an administrative service agreement. The government purchases an excess insurance policy annually to minimize risk.

Incurred but not reported claims are reported as a liability. The outstanding claims liability is calculated from historical data and future expectations. This includes an estimated liability for known claims as well as an estimated liability for claims incurred but not reported.

**Workers’ Compensation.** The Unified Government is self-insured for workers’ compensation. Premiums are paid from the general fund into an internal service fund and available to pay claims, claim reserves and administrative costs of the program. An excess coverage insurance policy covers individual claims, subject to policy terms. The Committee evaluates policy options on an annual basis.

The Unified Government attorney prepares estimates of the amounts of unsettled claims under the self-insurance program. The outstanding claims liability is calculated from historical data and future expectations. This includes an estimated liability for known claims as well as an estimated liability for claims incurred but not reported.

**General Liability.** The Unified Government is also self-insured for liability claims. All liability claims are reviewed, challenged if appropriate, and processed for payment at the agreed amount by the Legal Department. Kansas statutes limit the liability in tort cases to $500,000.

The UG maintains an internal reserve fund to be used for losses and insurance purchases. Insurance purchased by the UG will effectively be used.

The UG shall maintain an environment conducive to good internal control and safeguard its assets against loss. Additionally, the UG will monitor its accounting data for accuracy and reliability and encourage adherence to this policy. In addition, both the UG Internal and External Auditor audits, on a continuing basis, various transactions and processes for compliance and other applicable city policies and procedures based upon vulnerability assessments.

The UG internal Auditor will provide reasonable assurances against risk by performing on-going audits that require:
• Implementing control systems to prevent a single employee from being authorized to record transactions and obtain custody of related assets. Duties are segregated within the department.
• Securing UG assets and records and limiting employee access, based on the job need. UG files/records will be protected from theft, environmental damage and backed-up for continued government operations.
• Scheduled or periodic inventory of accounting records and physical inventory of assets for historical comparison and review.
• All authorized transactions are in accordance to the management policies.

The UG’s risk management and internal controls policy will be reviewed annually. In addition, regularly scheduled trainings will be held to help facilitate organization-wide implementation. The policy may include individual department’s safety protocols.
Local Economic Development Policy

The Unified Government strives to foster an environment in which small and large businesses thrive, jobs are created, redevelopment continues, tourism grows and businesses locate in the community.

The Economic Development Department is committed to working for:

- Increased job opportunities for local residents
- Increasing the tax base of the community in order to continue to provide high quality services to businesses and citizens
- Creating a quality of life characterized by stable neighborhoods and diverse opportunities
- Diversifying the local economy with growth in new technology, service sector, and tourism industries

The primary development incentives include the following:

Community Improvement District (CID) - Under Kansas Statute KSA 12-6a29 cities may create districts that help to fund community improvement. The Unified Government has done so through Community Improvement Districts (CID). A CID is an area within which businesses pay an additional sales tax (typically 1% or less) or a special assessment that fund improvements within that district.

Transportation Development District (TDD) - A Transportation Development District (TDD) is a special taxing district whereby a petitioner of 100% of the landowners in an area request either the levy of special assessments or the imposition of a sales tax of up to 1% on goods and services sold within a given area. Upon creation of a TDD by a municipality, the revenue generated by TDD special assessments or sales tax under Kansas law may pay the costs of transportation infrastructure improvements in and around the new development.

Economic Development Exemption (EDX) - Article 11. Sect. 13 of the Kansas Constitution allows the counties of Kansas to grant exemptions of ad valorem taxes (property taxes) for business up to 10 years. There are certain qualifications these businesses must meet. The property (real or personal) must be used exclusively for manufacturing articles of commerce, conducting research or development, or storing goods which are sold or traded in interstate commerce.

Investment Revenue Bonds (IRB) - Investment Revenue Bonds (IRBs) are used in Kansas to finance acquisition and construction of a broad variety of industrial, commercial and industrial properties under K.S.A. 12-1740 et seq on behalf of private businesses or non-profit agencies. IRB’s require a governmental entity (the Unified Government) to act as the "Issuer" of the bonds, who will hold an ownership interest in
the property for as long as the IRBs are outstanding. The businesses gain several benefits with the use of IRB’s including the possibility of tax exemption.

**Neighborhood Revitalization Program (NRA)** - Tax Rebate Program - The Unified Government Board of Commission is offering tax rebates to homeowners, non-occupying developers, retail, commercial, and industrial businesses who make significant improvements to their property.

The Neighborhood Revitalization Tax Rebate Program provides owners within the designated area the opportunity to receive a rebate of up to 95% of the additional property taxes attributed to the property improvements.

The Tax Rebate Program is a refund of the additional taxes paid because of a qualified improvement. The rebate applies only to the additional taxes resulting from the increase in the assessed value of the property due to the qualified improvement. The property taxes prior to the improvement will continue to be payable. Taxes must be paid when they are due, then a rebate check will be issued.

**Revolving Loan Fund (RLF)** - The Unified Government recognizes the needs of the small business community. The Revolving Loan Fund (RLF) provides a funding source to assist small businesses. Summarized below are the basic loan types.

- Loan Types
  1. Real Estate Loan – Up to 15 year term
  2. Machinery & Equipment Loan – Up to 10 year term
  3. Working Capital – Up to 3 years
  4. Maximum Loan of $200,000

**Sales Tax Revenue Bonds (STAR Bonds)** - Sales Tax Revenue (STAR) Bonds allow the Unified Government to issue bonds to finance certain authorized expenditures (primarily land acquisition and infrastructure) for the development of major commercial, entertainment and tourism areas and use the sales and transient guest tax revenues generated by the development towards debt service. The issuance of STAR Bonds requires approval by the Kansas Department of Commerce and represents a partnership with the State, as both local and state revenues may be pledged for the development project. The Village West development in Western Wyandotte County, is an example of a successful STAR Bond financed project.

**Low Income Housing Tax Credits, Section 42** - The Tax Credit Program does not provide loans or grants but provides a tax incentive to owners of affordable rental housing. The incentive is an annual tax credit (a dollar for dollar reduction in the taxpayer’s federal taxes) earned in the initial ten years following when the units are placed in service assuming program requirements are met. A developer markets or “syndicates” the credits allocated to the development to investors whose contributions are used as equity in the development’s financing plan.
**Tax Increment Financing (TIF)** - A Tax Increment Financing (TIF) District allows the Unified Government to work with private developers to authorize redevelopment projects in blighted areas in accordance with State statutory requirements.

TIF financing allows for a development project to access the incremental property and/or sales tax revenues generated by the project. TIF Districts may exist for up to twenty (20) years per project. In accordance with Kansas Laws, these funds may only be used for TIF-eligible expenses, which include but are not limited to:

- Land Acquisition & Relocation (of families)
- Public Improvements (curb, sidewalks, streets, lighting)
- Site Preparation (demolition)
- Utilities, and
- Sanitary and Storm Sewers.