

EDGERTON CITY COUNCIL-REGULAR MEETING AGENDA
CITY HALL, 404 EAST NELSON STREET
January 24, 2013

Call to Order

1. **Roll Call** ____ Roberts ____ Longanecker ____ Powers ____ Cross ____ Wiseman ____ Brown
2. **Welcome**
3. **Pledge of Allegiance**

Consent Agenda (*Consent Agenda items will be acted upon by one motion unless a Council member requests an item be removed for discussion and separate action*)

4. Agenda Approval
5. Meeting Minutes January 10, 2013 Regular Meeting

Regular Agenda

1. **Public Comments.** Persons who wish to address the City Council regarding items not on the agenda and that are under the jurisdiction of the City Council may do so when called upon by the Mayor. Comments on personnel matters and matters pending before court or other outside tribunals are not permitted. Please notify the City Clerk before the meeting if you wish to speak. Speakers are limited to three (3) minutes. Any presentation is for informational purposes only. No action will be taken.
2. **Declaration.** At this time Council members may declare any conflict or communication they have had that might influence their ability to impartially consider today's issues.

Business Requiring Action

3. **CONSIDER APPROVAL OF RESOLUTION NO. 01-24-13A CONSENTING TO THE PARTIAL ASSIGNMENT OF A RESOLUTION OF INTENT FROM THE ALLEN GROUP - KANSAS CITY, LLC TO THE DELONG CO., INC., OR ITS SUCCESSORS IN INTEREST**

Motion: _____ Second: _____ Vote: _____

4. **CONSIDER THE CANCELLATION OF CONTRACT NO. 06-7 BETWEEN THE CITY OF EDGERTON AND THE KANSAS WATER OFFICE**

Motion: _____ Second: _____ Vote: _____

5. **Report by the City Administrator**
6. **Reports by City Council Members**
7. **Report by the Mayor**

8. **Future Meeting/Event Reminders:**

- February 12th 7:00 PM – Planning Commission Meeting
- February 14th 7:00 PM – City Council Meeting
- February 18th Presidents Day – City Offices CLOSED
- February 20th Noon – Senior Lunch
- February 28th 7:00 PM – City Council Meeting

9. **Adjourn** Motion: _____ Second: _____ Vote: _____

**City of Edgerton, Kansas
Minutes of City Council Regular Session
January 10, 2013**

A Regular Session of the City Council was held in the Edgerton City Hall, 404 E. Nelson, Edgerton, Kansas on January 10, 2013. The meeting convened at 7:00 p.m. with Mayor Donald Roberts presiding, and Administrative Services Director Anna-Marie Keena recording.

Councilmembers in attendance: Clay Longanecker
 Glyn Powers
 Frances Cross
 Heidi Wiseman

Councilmember(s) absent: Jody Brown

Staff in attendance: City Administrator Beth Linn
 Public Works Superintendent Michael Mabrey
 City Attorney Patrick Reavey

ROLL CALL

Mayor Roberts called the roll of the Governing Body. With a quorum present, the meeting commenced.

PLEDGE OF ALLEGIANCE

Edgerton Boy Scout Troop # 369 led the Council in the Pledge. Members present were:
Andrew Mader, Parker Daley, Emery Forrester, Nathan Pearson, Ricky Godsil, and Chase Forrester

The Scouts were present as part of the requirement to earn their Citizenship in the Community badge.

APPROVAL OF THE CONSENT AGENDA

Motion by Powers, seconded by Longanecker, to approve the agenda and the December 27, 2012 minutes.

Motion carried 4-0-0.

BUSINESS REQUIRING ACTION:

A Dedication of an Electric Utility Easement at the Big Bull Creek Wastewater Treatment Facility was considered.

The City Administrator presented information regarding the easement and explained the steps required to provide services to this location and how this easement is the first phase. She explained the City Attorney has reviewed and approved the easement as has Kansas City Power and Light.

Motion by Longanecker, seconded by Wiseman, to approve the Electric Utility Easement at the Big Bull Creek Wastewater Treatment Facility.

Motion carried. 4-0-0.

Final Acceptance of Prairie Tree Sanitary Sewer Project was considered.

The City Administrator discussed the history of the project as to how in September 2012, the City accepted a sanitary sewer easement from the owner of the property located on the NE corner of 119th Street and Homestead Lane; Prairie Tree, LLC. At that time the owner requested to extend the sanitary sewer main as part of the Big Bull Creek Wastewater Treatment Plant and Conveyance System.

The project is now complete and is in conformance to the plans and specifications approved by the City of Edgerton. Staff recommended final acceptance of the project and considers the project complete.

Motion by Powers, seconded by Cross, to approve the final acceptance of the Prairie Tree Sanitary Sewer Project.

Motion carried. 4-0-0.

EXECUTIVE SESSION

Motion by Wiseman, seconded by Cross, to recess into executive session for 10 minutes under the Attorney-Client Privilege Exception – Confidential and Proprietary Information; the following persons were in attendance: City Administrator, City Attorney.

Motion carried 4-0-0.

The meeting recessed at 7:11 p.m.

RECONVENE FROM EXECUTIVE SESSION

The meeting reconvened at 7:22 p.m. with everyone present.

Mayor Roberts announced no votes were taken or decisions made during the executive session and the discussions were limited to the subjects stated.

EXECUTIVE SESSION

Motion by Wiseman, seconded by Cross, to recess into executive session for 15 minutes under the Attorney-Client Privilege Exception – Pending Litigation; the following persons were in attendance: City Administrator, City Attorney.

Motion carried 4-0-0.

The meeting recessed at 7:23 p.m.

RECONVENE FROM EXECUTIVE SESSION

The meeting reconvened at 7:38 p.m. with everyone present.

Motion by Cross, seconded by Powers, to accept the settlement agreement between the City of Edgerton and Jennifer Howard.

ADJOURN

Motion by Powers, seconded by Cross, to adjourn.

Motion carried 4-0-0.

The meeting adjourned at 8:00 p.m.

Anna-Marie Keena, CMC

Approved by the Governing Body on XXXXXXXXXXXXXX

AGENDA ITEM INFORMATION FORM

Agenda Item: Consider Approval of Resolution No. 01-24-13A Consenting to the Partial Assignment of a Resolution of Intent from The Allen Group - Kansas City, LLC to The DeLong Co., Inc., or Its Successors In Interest

Department: Administration

Background/Description of Item: In the Summer of 2011, DeLong Co., Inc. acquired the property located at 32612 West 191st Street on the northeast corner of 191st Street and Homestead Lane. DeLong intends to build a facility to transload grain and feed products for export in shipping containers via the BNSF Intermodal Facility. To date, DeLong has rezoned the property to I-H Heavy Industrial and submitted the final site plan for review. DeLong anticipates beginning construction in early spring.

As part of the Financing Agreement between Burlington Northern Santa Fe Railway, The Allen Group-KC and the City of Edgerton, DeLong has submitted an application for the issuance of Industrial Revenue Bonds and real property tax abatement.

Outside Bond Counsel, Scott Anderson, has reviewed the application, drafted the enclosed resolution and worked with outside consultant to perform the necessary Cost Benefit Report. A copy of the memo from Mr. Anderson and the Cost Benefit Report have been enclosed for your reference. In addition, Mr. Anderson will be present on January 24th to present the project to the City Council for consideration.

Enclosures: Memo from Scott Anderson
Draft Resolution 01-24-13A
Resolution 07-08-10A (Resolution of Intent for LPKC)
Application for Issuance of Industrial Revenue Bonds Tax Abatement from DeLong
Cost Benefit Report

Related Ordinance(s) or Statute(s): K.S.A 12-1740 to 12-1749(d)

Recommendation: Approve Resolution No. 01-24-13A Consenting to the Partial Assignment of a Resolution of Intent from The Allen Group - Kansas City, LLC To The DeLong Co., Inc., Or Its Successors In Interest

Funding Source: N/A

Prepared by: Beth Linn, City Administrator
Date: January 20, 2013

CITY OF EDGERTON, KANSAS

COUNCIL AGENDA ITEM

Council Meeting Date: January 24, 2013

Agenda Item: Public Hearing
Partial Assignment of Resolution of Intent

Subject: Property Tax Abatement for DeLong Project

Hearing Notice Published: January 16, 2013 in the *Gardner News*

Summary:

The City has received an application for property tax abatement from The DeLong Co., Inc. DeLong desires to construct a grain and feed trans-loading facility, including a building for dumping trucks, a building for loading containers, multiple bins for receiving and loading equipment, parking for containers and trucks, and a small administrative space, to be located on approximately 8 acres of land at the northeast corner of 191st Street and Homestead Lane in Edgerton, Kansas. In order for the City to grant property tax abatement, the City must first hold a public hearing, consider the cost-benefit report and then approve a partial assignment of the Resolution of Intent.

Public Hearing

A notice of the public hearing has been published at least seven days prior to the date of this meeting. Written notice of the public hearing has also been provided to the County and the School District. The Council should take comments from the public.

Cost-Benefit Report

Steve Robb from Municipal Consultants has prepared a cost-benefit report for the proposed project. The City should consider the cost-benefit report and ask any questions the Council may have about the report.

Partial Assignment of Resolution of Intent

The City previously adopted a Resolution of Intent (Resolution No. 07-08-10A) on July 8, 2010 for the benefit of The Allen Group - KC for constructing various projects in the Intermodal Logistics Park, and provided for the issuance of up to \$500,000,000 in industrial revenue bonds. The Resolution of Intent allows the Developer to assign portions of the Resolution of Intent for various companies that locate within the park. The partial assignment of the resolution of intent assigns \$7,500,000 of the Resolution of Intent to DeLong for the purpose of constructing its project.

RESOLUTION NO. 01-24-13A

**RESOLUTION CONSENTING TO THE PARTIAL ASSIGNMENT OF A
RESOLUTION OF INTENT FROM THE ALLEN GROUP - KANSAS CITY, LLC
TO THE DELONG CO., INC., OR ITS SUCCESSORS IN INTEREST**

WHEREAS, the City of Edgerton, Kansas (the “City”), desires to promote, stimulate and develop the general welfare and economic prosperity of the City and its inhabitants and thereby to further promote, stimulate and develop the general welfare and economic prosperity of the State of Kansas; and

WHEREAS, the City is authorized and empowered under the provisions of K.S.A. 12-1740 to 12-1749d, inclusive (the “Act”), to issue industrial revenue bonds to pay the cost of certain facilities (as defined in the Act) for the purposes set forth in the Act and to lease such facilities to private persons, firms or corporations; and

WHEREAS, the City adopted Resolution No. 07-08-10A on July 8, 2010 (the “Resolution of Intent”) determining the intent of the City to issue its industrial revenue bonds in multiple series, the aggregate amount of all series not to exceed \$500,000,000 (the “Bonds”), to finance the costs of acquiring, constructing, reconstructing, improving and equipping the Logistics Park Projects (as defined in the Resolution of Intent) for the benefit of The Allen Group - Kansas City, LLC (the “Developer”); and

WHEREAS, Section 7 of the Resolution of Intent permits the Developer, with the consent of the City, to assign a portion of its interest in the Resolution of Intent to another entity, thereby conferring on such entity the benefits of the Resolution of Intent and the proceedings related thereto; and

WHEREAS, the Developer desires to assign \$7,500,000 of its interest in the Resolution of Intent to The DeLong Co., Inc., a Wisconsin corporation (the “Company”), for the purposes of permitting the Company to acquire, construct and equip a commercial project, consisting of a grain and feed trans-loading facility, including a building for dumping trucks, a building for loading containers, multiple bins for receiving and loading equipment, parking for containers and trucks, and a small administrative space (the “DeLong Project”), to be located on approximately 8 acres of land at the northeast corner of 191st Street and Homestead Lane in Edgerton, Kansas; and

WHEREAS, the City desires to consent to such partial assignment of the Resolution of Intent to the Company.

NOW, THEREFORE, BE IT RESOLVED BY THE GOVERNING BODY OF THE CITY OF EDGERTON, KANSAS, AS FOLLOWS:

Section 1. Partial Assignment of Resolution of Intent. The Governing Body of the City hereby consents to the assignment by the Developer of \$7,500,000 of the Developer’s interest in the Resolution of Intent to the Company for the purposes of completing the DeLong Project, which is a Logistics Park Project. The City agrees that the Company will now be entitled to the benefits of the Resolution of Intent to the same extent and on the same terms as the Developer with respect to the DeLong Project.

Section 2. Authorization to Proceed. The Company is authorized to proceed with the acquiring, constructing and equipping of the DeLong Project, and to advance such funds as may be necessary to

accomplish such purposes, and, to the extent permitted by law, the City will reimburse the Company for all expenditures paid or incurred therefor out of the proceeds of the Bonds.

Section 3. Benefit of Resolution. This Resolution will inure to the benefit of the City and the Company. The Company may, with the prior written consent of the City, assign its interest in this Resolution and the Resolution of Intent to another entity, and such assignee will be entitled to the benefits of this Resolution, the Resolution of Intent and the proceedings related hereto.

Section 4. Effective Date. This Resolution shall take effect and be in full force immediately after its adoption by the Governing Body of the City.

ADOPTED this 24th day of January, 2013.

CITY OF EDGERTON, KANSAS

[SEAL]

By: _____
Mayor

ATTEST:

City Clerk

RESOLUTION NO. 07-08-10A

A RESOLUTION DETERMINING THE INTENT OF THE CITY OF EDGERTON, KANSAS, TO ISSUE ITS INDUSTRIAL REVENUE BONDS IN ONE OR MORE SERIES, THE AGGREGATE PRINCIPAL AMOUNT OF ALL SERIES NOT TO EXCEED \$500,000,000, TO PAY THE COST OF ACQUIRING, CONSTRUCTING AND EQUIPPING COMMERCIAL FACILITIES WITHIN THE LOGISTICS PARK

WHEREAS, the City of Edgerton, Kansas (the "City"), desires to promote, stimulate and develop the general welfare and economic prosperity of the City and its inhabitants and to further promote, stimulate and develop the general welfare and economic prosperity of the state of Kansas; and

WHEREAS, the City is authorized and empowered under the provisions of K.S.A. 12-1740 to 12-1749d, inclusive (the "Act"), to issue industrial revenue bonds to pay the cost of certain facilities (as defined in the Act) for the purposes set forth in the Act and to lease such facilities to private persons or entities; and

WHEREAS, The Allen Group – Kansas City, LLC, a Delaware limited liability company (the "Company"), has requested the City to issue its industrial revenue bonds in multiple series, the aggregate principal amount of all series not to exceed \$500,000,000 (the "Bonds"), for the purpose of financing the cost of acquiring, constructing, improving and equipping facilities within an industrial park to be located adjacent to the intermodal facility to be constructed by the BNSF Railway Company, a Delaware Company ("BNSF"), including real estate, buildings, improvements and equipment for industrial warehouses, distribution, flex and storage facilities and other supporting commercial uses (collectively, the "Logistics Park Projects"), located on approximately 560 acres of land surrounded by 191st Street to the south, Waverly Road to the east and 56 Highway to the west, and a parcel of land located on the northeast corner of 183rd Street and Waverly Road, all within the City, and to lease the Logistics Park Projects to the Company all pursuant to the Act; and

WHEREAS, the Logistics Park Projects are expected to be constructed in phases with one or more buildings and facilities being constructed and financed at a time (individually, each phase referred to herein as a "Project"); and

WHEREAS, it is found and determined to be advisable and in the interest and for the welfare of the City and its inhabitants that the City issue the Bonds pursuant to the Act, such Bonds to be payable solely out of rentals, revenues and receipts derived from the lease of each Project by the City to the Company, or its successors or assigns, as lessee (in such capacity, the "Lessee"); and

WHEREAS, the Company has also requested that the City consider granting an exemption from ad valorem taxes for the Logistics Park Projects in accordance with K.S.A. 79-201a *Second* and has indicated its intent to make payments in lieu of taxes upon terms to be mutually agreed to by the City and the Company in the amount set forth herein;

NOW, THEREFORE, BE IT RESOLVED BY THE GOVERNING BODY OF THE CITY OF EDGERTON, KANSAS, AS FOLLOWS:

Section 1. Approval of Logistics Park Projects. The Governing Body of the City finds and determines that the acquisition, construction and equipping of the Logistics Park Projects will promote, stimulate and develop the general welfare and economic prosperity of the City through the promotion and advancement of physical or mental health, industrial, commercial, agricultural, natural resources or recreation development of the City and the issuance of the Bonds to pay such costs will be in furtherance of the public purposes set forth in the Act.

Section 2. Intent to Issue Bonds. The Governing Body of the City determines and declares the intent of the City to assist the Company in completing the Logistics Park Projects through the issuance of the Bonds pursuant to the Act. It is anticipated that a separate series of the Bonds will be issued for each Project. The aggregate principal amount of all series of Bonds shall not exceed \$500,000,000.

Section 3. Provision for the Bonds. Subject to the conditions of this Resolution, the City will (i) issue its Bonds in multiple series to pay the costs of acquiring, constructing, improving and equipping each Project, with such maturities, interest rates, redemption terms and other provisions as may be determined by ordinance of the City; (ii) provide for the lease (with an option to purchase) of each Project to the Lessee; and (iii) to effect the foregoing, adopt such resolutions and ordinances and authorize the execution and delivery of such instruments and the taking of such action as may be necessary or advisable for the authorization and issuance of the Bonds by the City and take or cause to be taken such other action as may be required to implement this Resolution.

Section 4. Ad Valorem Tax Exemption. The Company has requested an exemption from ad valorem taxes for the Logistics Park Projects in exchange for making payments in lieu of taxes. In consideration of the Company's decision to acquire, construct and equip the Logistics Park Projects and subject to the further terms and conditions of this Resolution, on receipt of an application for the issuance of a series of Bonds for a Project, the City intends to take all appropriate action to prepare a cost benefit analysis and conduct a public hearing on an ad valorem tax exemption for such Project and, following the issuance of a series of the Bonds to finance such Project, to request the Kansas Court of Tax Appeals to approve an ad valorem tax exemption, exclusive of special assessments, for all real property financed with such series of the Bonds; provided, however, that no tax exemption shall be requested for any Project or portion of a Project that is not eligible for property tax exemption pursuant to K.S.A. 79-201a *Second*. Each Project financed with the proceeds of a series of the Bonds will be eligible for a separate 10-year property tax exemption with the first year of the exemption commencing on January 1 of the calendar year following the year in which such series of the Bonds were issued. In consideration for the City's agreement to request a property tax exemption for each Project, the Company agrees to make payments in lieu of taxes to the City for each Project for the duration of any approved tax exemption and such payments shall be in an amount equal to 25% of the amount of taxes that would have otherwise been payable but for the property tax exemption; provided, however, that amount of payments in lieu of taxes may be subject to adjustment in accordance with a payment in lieu of tax agreement to be entered into between the City and the Lessee for such Project.

Section 5. Conditions to Issuance. The issuance of each series of the Bonds and the execution and delivery of any documents related to a series of the Bonds are subject to:

- (i) receipt by the City of a completed application by the Lessee for each Project and adoption of a resolution assigning a portion of this resolution of intent by the Governing Body of the City for each Project;
- (ii) obtaining any necessary governmental approvals;

(iii) agreement by the City, the Company and the purchaser of such series of the Bonds upon (a) mutually acceptable terms for such series of Bonds and for the sale and delivery thereof, and (b) mutually acceptable terms and conditions of any documents related to the issuance of such series of Bonds and the related Project, including, but not limited to, provisions relating to the security for the payment of such series of the Bonds and provisions relating to the maintenance of the related Project;

(iv) agreement by the City and the Company on mutually acceptable terms and conditions of a payment-in-lieu of tax agreement;

(v) payment of all costs of issuance of such series of the Bonds and all other costs and fees of the City, including the City's origination fee; and

(vi) compliance with the Act relating to the issuance of industrial revenue bonds and ad valorem tax exemption, including but not limited to, (a) preparation of a cost/benefit analysis for each Project, and (b) completion of a public hearing on the tax exemption, following notice as required by the Act, for each Project.

Section 6. Sale of the Bonds/Authority to Proceed. The sale of each series of the Bonds shall be the responsibility of the Lessee, but arrangements for the sale of each series of the Bonds shall be subject to the City's approval. The Company is authorized to proceed with the acquisition and completion of the Logistics Park Projects (provided all other City approvals and permits have been obtained) and to advance such funds as may be necessary to accomplish such purposes, and to the extent permitted by law, the City shall reimburse each Lessee for such expenditures out of the proceeds of each series of the Bonds, when and if issued. Notwithstanding such authorization, the Company and each Lessee proceeds at its own risk and if for any reason, all or any series of the Bonds are not issued, the City shall have no liability to the Company or any Lessee for any reason. The Act provides that the City may only issue each series of the Bonds by adoption of an ordinance authorizing such series of Bonds and providing for the terms and details of such series of Bonds and may only approve a tax exemption following completion of a cost benefit analysis, a public hearing and the issuance of a series of Bonds to pay the cost of the property that is the subject of the tax exemption. The City has not yet adopted an ordinance, issued any series of Bonds for the Logistics Park Projects or completed the procedures to approve a tax exemption. This Resolution only evidences the intent of the current Governing Body to issue Bonds for the Logistics Park Projects and to approve a tax exemption for each Project. Nothing herein shall be construed as a guaranty by the City that any series of Bonds will be issued or tax exemption approved for a Project.

Section 7. Assignment. The Company may, without the consent of the City but with advance written notice to the City, assign all or a portion of its interest in this Resolution to any Affiliated Entity or, with the prior written consent of the City, to another entity, provided such assignee intends to acquire, equip and construct a Project. For the purposes of this Resolution, "Affiliated Entity" means any entity or person directly or indirectly controlling or controlled by or under direct or indirect common control with the Company. "Control," when used with respect to a particular entity or person, means the possession, directly or indirectly, of the power to direct or cause the direction of management and policies of such entity whether through the ownership of voting stock, by contract or otherwise. The Company may assign all or a portion of its interest in this Resolution to any party that is not an Affiliated Entity only with the consent of the City.

Section 8. Limited Obligations of the City. Each series of Bonds and the interest thereon shall be special, limited obligations of the City payable solely out of the rents, revenues and receipts of the City derived

from the lease of the related Project to the Lessee. The Bonds shall not constitute a general obligation of the City, the State of Kansas or any other political subdivision thereof, shall not constitute a pledge of the full faith and credit of the City, the State of Kansas or any other political subdivision thereof and shall not be payable in any manner by taxation.

Section 9. Termination. This Resolution shall terminate in the event the Project Agreement dated March 25, 2010, among the City, the Company and BNSF is terminated.

Section 10. Further Action. Kutak Rock LLP, Bond Counsel for the City, and officers and employees of the City, are authorized to work with the purchaser of each series of the Bonds, the Company, their respective counsel and others, to prepare for submission to and final action by the City all documents necessary to effect the authorization, issuance and sale of each series of the Bonds and other actions contemplated hereunder.

Section 11. Effective Date. This Resolution shall take effect and be in full force immediately after its adoption by the City Council of the City.

ADOPTED BY THE CITY COUNCIL AND APPROVED BY THE MAYOR OF THE CITY OF EDGERTON, KANSAS ON THE 8TH DAY OF JULY, 2010.

CITY OF EDGERTON, KANSAS

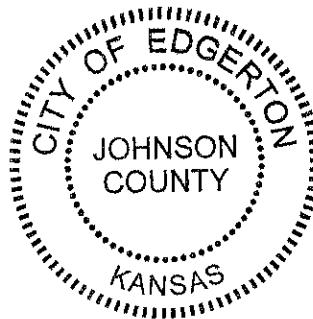
By: Donald Roberts
Donald Roberts, Mayor

ATTEST:

David B. Dillner
David B. Dillner, City Clerk

APPROVED AS TO FORM:

Patrick G. Reavey
Patrick G. Reavey, City Attorney



CITY OF EDGERTON, KANSAS

**APPLICATION FOR ISSUANCE OF INDUSTRIAL REVENUE BONDS
AND APPLICATION FOR REAL PROPERTY TAX ABATEMENT**

A non-refundable \$2,000 application fee must accompany this Application. If this Application is approved and bonds are issued, the City will require an origination fee and the applicant shall be responsible for bond counsel fees, trustee fees and other fees associated with the issuance of the bonds. Please review the City's fee schedule for the issuance of industrial revenue bonds.

Applicant's Name: The DeLong Co., Inc.

Applicant's Address: 214 Allen Street, Clinton, WI 53525

Name and Title of Contact: Wm. C. DeLong Vice President

Telephone Number: 608-676-2255 X-250 Email Address: bodelong@delongcompany.com

Attorney for Applicant: Polisinelli Shughart PC % Curtis Petersen

Attorney's Address: 6201 College Blvd., Suite 500, Overland Park, KS 66211

Telephone Number: 913-234-7458 Email Address: Polisinelli.com

I. BUSINESS INFORMATION

A. In what line or lines of business is the applicant engaged?

Transloading grain and feed products for exporting in shipping containers

B. Provide your SIC Code: 424510

C. If the applicant is a legal entity, provide the following entity information:

Type of Organization: S-Corp State of Organization: WI

D. If the applicant is a legal entity, list the names and titles of the principal officers:

Name: David D. DeLong Title: President

Name: Wm. C. DeLong Title: Treasurer

Name: Charles DeLong Title: Secretary

Name: _____ Title: _____

E. List the name and title of the individual(s) that will be authorized to sign bond documents:

Name: David D. DeLong Title: President

Name: Wm. C. DeLong Title: Treasurer

F. Provide the following information for your accounting firm:

Firm Name: Summit Accounting

Principal Contact: Eric Scherdell

Phone: 608-756-5354 Email: escherdell@summitaccounting.net

G. Provide the following information for your insurance agent:

Agency Name: Ag States

Principal Contact: Monte Wegner

Phone: 608-757-1440 Email: monte.wegner@chsinc.com

II. THE PROJECT

A. Describe the proposed project:

grain and feed transloading facility including a building for dumping
trucks, a building for loading containers, multiple bins for receiving and
loading equipment, parking for containers and trucks, and a small
administrative space

B. Address (or, if unavailable, general location) for the proposed project:

NE corners of 191st Street and Intermodal Drive, Edgerton, KS

C. Legal description for the proposed project:

see Attachment

D. Parcel Tax Identification Number for the proposed project:

BF 221434-2010

E. Name of title company: First American Title Insurance Company

Principal contact at title company: Sibyl Patton File #NCS-462249-OPKS

Phone: 913-905-1970

Email: _____

F. Has the applicant acquired fee ownership of the land? Yes

If yes, date land acquired: May 6, 2011

G. Estimated date for commencement of construction: March 1, 2013

H. Estimated date for completion of construction: June 30, 2013

I. Amount of bonds requested to be issued: \$7,500,000

J. Estimated Project Costs:

Land \$ 1,100,000

Building \$ 400,000

Machinery and Equipment \$ 2,700,000

Other Costs \$ 1,800,000 - includes land improvements

TOTAL COSTS

\$ 6,000,000

K. Does the applicant have offices or facilities now located in the City of Edgerton?

No

If yes, please describe:

L. Describe the type of buildings to be constructed, including type of construction materials:

Steel framed buildings and steel storage tanks

M. Is the location property zoned for the desired use? pending

N. Is the location adequately served by public streets and utilities? Yes

O. Describe the number and types of jobs to be employed at the proposed project:
1 supervisor, 2 general laborers, 1 lab technician, 3 spotter drivers

P. Are the above-described jobs new to the City of Edgerton?

Yes

Q. Is there a likelihood of expansion within the next five years?

Yes

If yes, describe the nature of the expansion:

As volume increases we will expand our hours and hire more people

III. FINANCING

A. Will the bonds be publicly offered, privately placed or purchased by the applicant?

Purchase by applicant

B. If publicly offered, has an Underwriter been selected? _____

If an Underwriter has been selected, name of Underwriter: _____

Principal Contact: _____

Phone: _____

Email: _____

C. If privately placed, name of Purchaser: _____

Principal Contact: _____

Phone: _____

Email: _____

D. If bonds will be purchased by the applicant, provide the following for any underlying bank financing:

Name of Bank: Wells Fargo

Principal Contact: Frank Trankle

Phone: 312-261-0733

Email: james.j.Trankle@wellsfargo.com

- E. List any prior participation by the applicant or any of its principal officers in industrial revenue bond financings:

None

F. Name of bank that you prefer serve as trustee: Wells Fargo

G. Proposed date for the City to issue the bonds: February 25, 2013

IV. TAX ABATEMENT

A. Is the applicant requesting real property tax abatement? Yes

B. What is the percentage of property tax abatement being requested? 75%

C. What is term of years of property tax abatement being requested? 10 years

D. Is this project located in the Logistics Park? Yes

E. Do you believe this request complies with the City's tax abatement policy? Yes

F. If this request exceeds what is set forth in the City's tax abatement policy, set forth reasons that you believe justify deviating from the policy:

EXHIBIT A TO SPECIAL WARRANTY DEED

LEGAL DESCRIPTION

All that part of the Southwest Quarter of Section 34, Township 14 South, Range 22 East, Johnson County, Kansas, being more particularly described as follows:

Commencing at the Southwest Corner of the Southwest Quarter of said Section 34; thence North 88 degrees 10 minutes 27 seconds East, along the South line of said Quarter Section, a distance of 232.30 feet, to the True Point of Beginning of Subject Tract; thence continuing North 88 degrees 10 minutes 27 seconds East, along the South line of said Quarter Section, a distance of 522.08 feet, to the Southwest corner of the tract of land described as the J. A. Pearce Tract in the 1892 Re-Survey of said Section 34; thence North 01 degree 52 minutes 40 seconds West, along the West line of said J. A. Pearce Tract, a distance of 871.01 feet; thence South 53 degrees 52 minutes 24 seconds West, no longer along the West line of said J. A. Pearce Tract, a distance of 407.79 feet, to a point of curvature; thence Southwesterly and Southerly, along a curve to the left having a radius of 461.00 feet and a central angle of 40 degrees 11 minutes 05 seconds, a distance of 323.33 feet; thence South 01 degree 49 minutes 33 seconds East, a distance of 383.68 feet, to the True Point of Beginning, all subject to that part thereof now dedicated for street purposes.

CERTIFICATION OF APPLICANT

This Application is true and correct to the best of my knowledge. I understand that additional information may be requested by City staff to assist the City Council in its consideration of this Application.

The DeLong Co., Inc
(Applicant)

Dated: 1-4-13

Wm. C DeLong
Signature

Wm. C DeLong
Printed Name

Vice Pres
Title

For questions concerning this application, please contact either of the following individuals:

City Administrator

Beth Linn
City of Edgerton
404 E. Nelson Street
Edgerton, Kansas 66021
(913) 893-8231
Fax: (913)
blinn@edgertonks.org

Internodal Project Abatement Counsel

Scott Anderson
SA Legal Advisors LC
9990 College Blvd., Suite 102
Overland Park, Kansas 66210
(913) 538-7556
Fax: (913) 273-1806
sanderson@SALegalAdvisors.com

Completed applications should be scanned and emailed or faxed to both Ms. Linn and Mr. Anderson. The original application and the application fee should be mailed to Ms. Linn.

ACKNOWLEDGEMENT AND AGREEMENT OF APPLICANT

The City requires that the applicant acknowledge and agree to the following with respect to the issuance of the bonds and property tax abatement:

Costs of Issuance. The applicant is responsible for all costs incurred in issuing the bonds. These costs include the City's issuance fee, bond counsel fees, trustee fees, Court of Tax Appeals' filing fees and other miscellaneous fees. You are encouraged to obtain a list and amount of all fees from bond counsel. All fees are generally due at the time bonds are issued.

The following statements apply only if tax abatement is requested and granted.

Term and Exempt Property. The term of property tax abatement cannot exceed ten years. Your tax abatement will commence on the January 1 of the year following the year in which the City issues the Bonds. The tax abatement covers all real property acquired with Bond proceeds. New personal property is no longer subject to property taxation in Kansas. Personal property that is acquired using a project sales tax exemption certificate will need to be included as part of the bond issue. It is your responsibility to work with Bond Counsel and to keep Bond Counsel updated on the status of construction of your project to ensure that the bonds are issued at the appropriate time and prior to completion of your project.

Special Assessments. Special assessments are not eligible for property tax abatement. You will need to continue to pay 100% of the special assessment levied against the property even if you receive property tax abatement.

Sales Tax Exemption Certificate. All real and personal property (except vehicles) purchased with the proceeds of bonds are eligible for sales tax exemption. If the City agrees to issue bonds for your project, you will be eligible to receive a sales tax exemption certificate from the City. Any property that you acquire using the sales tax exemption certificate must be purchased with bond proceeds. The sales tax exemption certificate is provided by the state upon application of the City Clerk. The City Clerk will not make application for a sales tax exemption certificate until the City Council has approved the application and adopted a resolution of intent or assignment resolution for your project. You will want to make sure you submit your application well in advance of when you will need your sales tax exemption certificate. If you pay sales tax prior to receiving your exemption certificate, it is very difficult and expensive to obtain a refund.

The applicant has read the above:

The DeLong Co., Inc
(Applicant)

Dated: 1-4-13

W C DeLong
Signature

Wm C. DeLong
Printed Name and Title

**APPENDIX I
TO
APPLICATION FOR ISSUANCE OF INDUSTRIAL REVENUE BONDS**

EMPLOYMENT INFORMATION

State law requires that a cost-benefit report be performed prior to the issuance of bonds for property tax abatement. Please complete the following information to assist in the preparation of the cost-benefit report.

Anticipated number of employees at applicant's proposed site: 7

<u>Occupational Classification</u>	<u>Total</u>	<u>Average Starting Wage</u>	<u>Average Maximum Wage</u>	<u>Number by County of Residence</u>
supervisor/superintendent	1	\$65,000	\$75,000	Johnson ¹ Other
General Laborer	2	50,000	60,000	Johnson ² Other
Scale/Lab Tech	1	45,000	50,000	Johnson ¹ Other
Spotter Drivers	3	50,000	60,000	Johnson ³ Other
				Johnson Other
				Johnson Other

Firm Worksheet

Benefits/Cost Analysis

76. Firm's Name: The DeLong Co., Inc.

77. Firm's SIC Code: 424510

78. Description and purpose of the expansion:
Build and operate grain and feed transload facility loading containers for
export

Is this a Sub S or LLC or LLP? S corp

(If you don't know the SIC Code, explain what your business does – i.e. Metal fabrication, etc.)

Capital Investment

Market or retail value of the new or additional investment:

	First Expansion	Second	Third	Fourth
79. Land	1,100,000			
80. Building & Improvements	2,200,000			
81. Furniture, Fixtures, & Equipment	2,700,000			

Sales and Purchases

Expected sales and purchases due to the expansion: (Estimates are OK)(For purchases, include all items that you will pay sales tax on, but not things like raw materials not subject to sales tax.)

	Sales	Purchases
82. Year 1		
83. Year 2		
84. Year 3		
85. Year 4		
86. Year 5		
87. Year 6		
88. Year 7		
89. Year 8		
90. Year 9		
91. Year 10		

Estimate what percentage will be subject to sales tax in the:

	Sales	Purchases
92. City	%	%
93. County	%	%
94. State	%	%

N/A

95. What is the expected percentage of annual net taxable income on which state corporate income tax will be computed?
 (Usually 10%- Not applicable to Sub S, LLC's, or LLP's)

Additional Annual Utility Expenditures due to the Expansion

Firm's estimated utility expenses	Construction Period	Year One of Expansion
96. Telephone		30,00
97. Electricity		35,000
98. Gas		N/A
99. Water		1,000
100. Waste Water		500
101. Garbage		3,000
102. Cable		3,000
103. Other		

3 %

104. By what percentage are utility bills expected to increase during the remaining years of the expansion? (Usually 3%)

New Employees due to Expansion

	New Hires during the year	Average Annual Salaries	Moving to the county	Moving from out-of-state
105. Year 1	7	62,000	1	2
106. Year 2				
107. Year 3	3	62,000	0	0
108. Year 4				
109. Year 5				
110. Year 6.				
111. Year 7				
112. Year 8				
113. Year 9				
114. Year 10				

(We usually figure about 20% of the new hires will come from outside the county)

New Construction

	Initial Construction or Expansion	2 nd Expansion	3 rd Expansion	4 th Expansion
115. Total Construction Cost	6,000,000			
116. Construction Profit Percentage	10%	%	%	%

Construction Materials Purchased

Taxable building materials purchased	Initial Construction or Expansion	2 nd Expansion	3 rd Expansion	4 th Expansion
117. In the state				
118. In the County	200,000			

119. In the City

10,000			
--------	--	--	--

Costs of Furniture, Fixtures, & Equipment Purchased

Taxable FFE purchased	Initial Construction or Expansion	2 nd Expansion	3 rd Expansion	4 th Expansion
120. In the state				
121. In the County				
122. In the City	2,000			

Construction Workers and Salaries

	Initial Construction or Expansion	2 nd Expansion	3 rd Expansion	4 th Expansion
123. Number of construction workers	10			
124. Total salary paid average worker	20,000			
125. Total construction salaries	200,000			
126. Household size of average worker	3			

Visitors due to the Expansion

	Out-of-town visitors expected
127. Year 1	40
128. Year 2	20
129. Year 3	"
130. Year 4	"
131. Year 5	"
132. Year 6	"
133. Year 7	"
134. Year 8	"
135. Year 9	"
136. Year 10	"

1 137. How many days will an average visitor to your firm be expected to stay in the area?

1 138. How many nights will a visitor to your firm be expected to stay overnight in city hotels or motels?

1 139. How many nights will a visitor to your firm be expected to stay overnight anywhere in the county?

What is the average hotel room price in the community or county? \$ 130.00

140. If the firm is being required to make payments in lieu of taxes, please list the amounts below:

Year 1: _____ Year 2: _____ Year 3: _____

Year 4: _____ Year 5: _____ Year 6: _____

Year 7: _____ Year 8: _____ Year 9: _____

Year 10: _____

141. Will either the city or county make infrastructure improvements or provide other incentives for the project? If so, what is the value of the infrastructure or incentive?

Infrastructure: \$ _____ Other Incentive: \$ _____

What percentage of tax abatement are you requesting for this project?

<i>Year</i>	<i>Land</i>	<i>Building</i>
1	%	%
2	%	%
3	%	%
4	%	%
5	%	%
6	%	%
7	%	%
8	%	%
9	%	%
10	%	%

**A Tax Abatement Cost-Benefit Analysis of
The DeLong Co., Inc.
for the City of Edgerton**

Completed by

Municipal Consulting, LLC

R. Steven Robb, Sole Owner

2207 N. Free King Hwy

Pittsburg, KS 66762

620-235-1874 or 620-704-6495

steverobb@cox.net

January 16, 2013

ABOUT THIS REPORT:

This report uses data that was collected from the firm involved and budget reports from each of the taxing entities where the project is to be located. This data is summarized at the beginning of the report. In addition, various calculations were applied to the data using rates and information gathered from the current economic and financial conditions. The report is organized by the following Table of Contents:

Data Used in This Report	3
Overall Summary of Benefits, Costs and Ratios	4
City Benefits, Costs and Ratios	5
County Benefits, Costs and Ratios	6
School District Benefits, Costs and Ratios	7
Special Taxing District #1 Benefits, Costs and Ratios	8
Special Taxing District #2 Benefits, Costs and Ratios	9
Special Taxing District #3 Benefits, Costs and Ratios	10
Special Taxing District #4 Benefits, Costs and Ratios	11
State of Kansas Benefits, Costs and Ratios	12
Economic Impact of the Firm's Project on the Community	13

Some terms used in this report:

- Rate of Return: Incentives and tax abatements granted by the taxing entities are equivalent to a public investment in the firm. Comparing these investments to the various benefits received over the 10-year project period by the public entity produces an average annual rate of return for the period. *Generally, a rate of return that exceeds the entity's cost of capital would be considered a favorable investment.*
- Present Value: This is the amount that a future series of payments is worth today, given an assumed discount rate. The only way to accurately compare payments to be made or received in the future to the dollar value at present is with Present Value. *Generally, a positive present value indicates an acceptable investment.*

- **Benefit - Cost Ratio:** Typically referred to as the "Cost-Benefit Ratio," this is actually the ratio of the public entity benefits received over the 10-year project life to the public costs incurred over the same period. If the ratio is above 1.0, then the benefits exceed the costs, and if it is less than 1.0, the costs exceed the benefits. *Generally, a public entity would like to have a Benefit-to-Cost ratio of 1.3 or better in order to grant a tax abatement and/or other incentives. However, the governing body may take into account the other economic benefits of the project in making that decision.*

Disclaimer:

This report is prepared using a variety of assumptions regarding discount rate, inflation rate, and other economic variables. It also uses information submitted by the firm based on its best estimates of what they expect to occur in the next decade. Future business results and economic factors are not and cannot be guaranteed. Therefore, we provide no guarantee on the future performance of the firm, or that conditions within the taxing entities will remain as they are today. The governing body should make its decision on the best information presented, while fully recognizing that future performance could be substantially different.

Comments Specific to This Project:

The overall benefits and costs for each taxing entity are shown on Page 4 and summarized here in the following table:

Taxing Entity	Benefit to Cost Ratio	Average Return on Investment
City of Edgerton	3.60	26.00%
Johnson County	1.66	6.57%
Gardner-Edgerton USD 231	1.33	3.26%
Johnson County Comm. College	1.08	0.85%
Johnson County Library	1.12	1.24%
Parks & Recreation District	1.02	0.23%
Edgerton Cemetery	1.15	1.55%
State of Kansas	3.18	21.87%

The Governing Body should also consider the related economic benefits of the project as shown on Page 13.

If you have further questions or comments, you may reach me with the contact information above.

R. Steven Robb
Sole Owner
Municipal Consulting, LLC.

COST-BENEFIT ANALYSIS PROJECT SUMMARY

PROJECT NAME: The DeLong Co., Inc.

DATE: 1/16/2013

GOVERNMENTAL ENTITIES INVOLVED:

CITY: Edgerton
COUNTY: Johnson Co.
SCHOOL DISTRICT: Gardner-Edgerton 231
ADDITIONAL SCHOOL DISTRICT: None
SPECIAL TAXING DISTRICT #1: Johnson Co CC
SPECIAL TAXING DISTRICT #2: County Library
SPECIAL TAXING DISTRICT #3: Parks & Rec.
SPECIAL TAXING DISTRICT #4: Edgerton Cemetery
STATE: Kansas
INFLATION RATE: 2.00%
DISCOUNT RATE: 3.00%

Community Data Inputs:

Yellow cells require input.

Green cells have no input or are calculated automatically.

	City	County	School #1	School #2	Sp. Dist. 1	Sp. Dist. 2	Sp. Dist. 3	Sp. Dist. 4	State
Mill Levy	36.865	17.717	62.262	0.000	8.785	3.149	2.344	0.567	1.500
Market Value New Home	\$144,500	\$294,900	\$144,500	\$0	\$294,900	\$294,900	\$294,900	\$144,500	\$190,800
Sales Tax	1.00%	1.225%	n/a	n/a	n/a	n/a	n/a		6.30%
Transient Guest Tax	0.00%	0.00%	n/a	n/a	n/a	n/a	n/a		n/a
Utility Revenue/HsHld	\$132.91	n/a	n/a	n/a	n/a	n/a	n/a		n/a
Franchise Fees/HsHld	\$90.35	n/a	n/a	n/a	n/a	n/a	n/a		n/a
Other Revenues/Res.	\$954.91	\$190.90	n/a	n/a	\$85.84	\$30.77	\$22.90	\$5.54	\$1,597.00
Marg. Cost/Res./Student	\$144.80	\$158.28	\$3,786.05	\$0.00	\$50.36	\$12.74	\$20.20	\$1.61	\$658.00
Other Revenues/Worker	\$776.64	\$155.26	n/a	n/a	\$69.81	\$25.02	\$18.63	\$4.51	\$1,336.00
Marginal Cost/New Worker	\$117.77	\$128.73	n/a	n/a	\$40.96	\$10.36	\$16.43	\$1.31	\$550.00
State Funding/Pupil	n/a	n/a	\$7,159.14	\$0.00	n/a	n/a	n/a	n/a	n/a
Federal Funding/Pupil	n/a	n/a	\$651.55	\$0.00	n/a	n/a	n/a	n/a	n/a
Visitor Daily Spending	\$20	\$35							
Average Hotel Room Rate	\$0	\$120							

Firm Data Inputs:

Firm's Investment in:

First Expansion			Second Expansion			Third Expansion			Fourth Expansion		
Land	Building	FFE	Land	Building	FFE	Land	Building	FFE	Land	Building	FFE
\$1,100,000	\$2,200,000	\$2,700,000									

	Growth	Const. Per.	Yr. 1	Yr. 2	Yr. 3	Yr. 4	Yr. 5	Yr. 6	Yr. 7	Yr. 8	Yr. 9	Yr. 10	Total
Sales	0.00%		\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Purchases	0.00%		\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Net Util. Rev.			\$0	\$210	\$215	\$220	\$223	\$227	\$232	\$236	\$241	\$246	\$2,301
Franchise Fees			\$0	\$2,200	\$2,244	\$2,289	\$2,335	\$2,381	\$2,429	\$2,477	\$2,527	\$2,578	\$24,089
Add. Pmts-City			\$25,000	\$65,103	\$65,103	\$65,103	\$65,103	\$65,103	\$65,103	\$65,103	\$65,103	\$65,103	\$676,034
Add. Pmts-County				\$3,654	\$3,654	\$3,654	\$3,654	\$3,654	\$3,654	\$3,654	\$3,654	\$3,654	\$36,541
Add. Pmts-State				\$309	\$309	\$309	\$309	\$309	\$309	\$309	\$309	\$309	\$3,094
Oth. Costs-City				\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Oth. Costs-County				\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Oth. Costs-State				\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Incentives-City				\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Incentives-County				\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Incentives-State				\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
New Employees			7	0	3	0							10
Employees New to the County			3	0	0								3
Employees New to the State			2										2
Average Salaries	2.0%		\$62,000	\$63,240	\$64,505	\$65,795	\$67,111	\$68,453	\$69,822	\$71,219	\$72,643	\$74,096	678,883
Abatement-Land			100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	
Abatement-Bldg.			100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	
Visitors	0.0%	0	40	20	20	20	20	20	20	20	20	20	220

COST-BENEFIT ANALYSIS PROJECT SUMMARY

PROJECT NAME: The DeLong Co., Inc.

DATE: 1/16/2013

Entity	Total Benefits	Total Costs & Incentives	Net Benefits	Present Value of Net Benefits	Present Value of Incentives & Taxes Abated	Ratio of PV of Net Benefits to PV of Incentives and Taxes Abated	Actual Benefit to Actual Cost Ratio	Avg. Annual Rate of Return
Edgerton	\$1,252,735	\$347,989	\$904,746	\$774,347	\$308,928	2.51	3.60	26.00%
Johnson Co.	\$307,385	\$185,485	\$121,900	\$103,878	\$152,922	0.68	1.66	6.57%
Gardner-Edgerton 231	\$1,027,696	\$775,062	\$252,634	\$214,980	\$457,306	0.47	1.33	3.26%
Johnson Co CC	\$93,485	\$86,187	\$7,298	\$6,192	\$64,524	0.10	1.08	0.85%
County Library	\$33,509	\$29,801	\$3,708	\$28,499	\$25,353	1.12	1.12	1.24%
Parks & Rec	\$24,941	\$24,386	\$555	\$21,212	\$20,741	1.02	1.02	0.23%
Edgerton Cemetery	\$6,036	\$5,226	\$810	\$5,133	\$4,446	1.15	1.15	1.55%
State of Kansas	\$1,344,253	\$421,843	\$922,410	\$1,138,702	\$358,619	3.18	3.19	21.87%

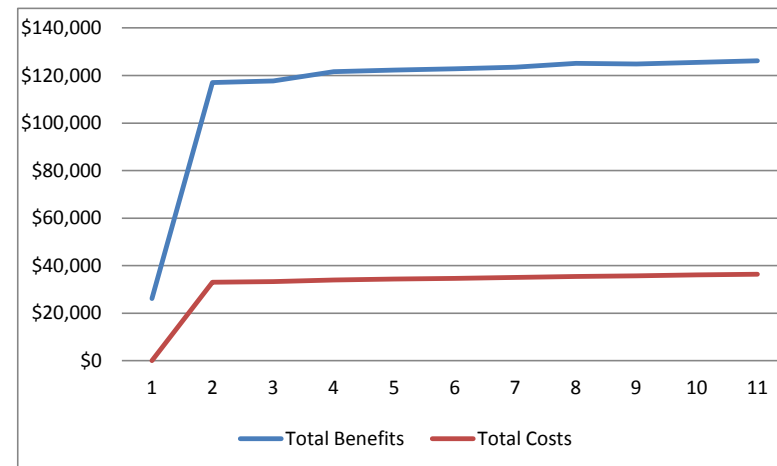
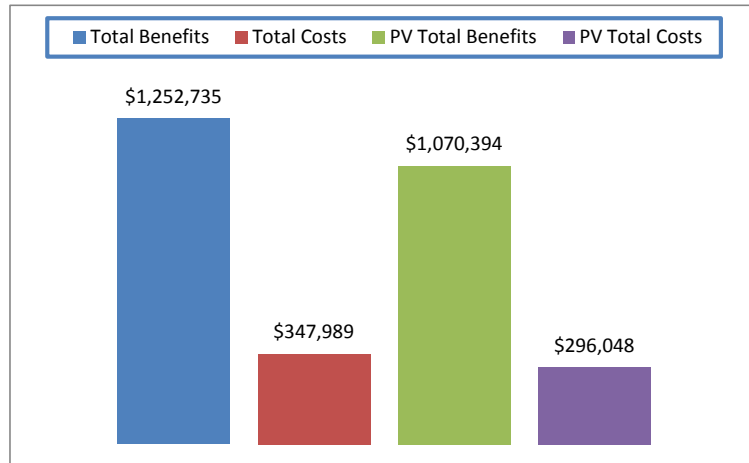
SUMMARY OF COSTS AND BENEFITS FOR: Edgerton
PROJECT: The DeLong Co., Inc.

DATE: 1/16/2013

DISCOUNT RATE: 3.00%

Ratio of Actual Benefits to Actual Costs Over the 10-Year Period: **3.60**
 Ratio of Present Value of Total Benefits to Present Value of Total Costs: **3.62**
 (Typical desired ratio would be 1.3 to 1) **Average ROI 26.00%**

Year	Sales Taxes	Property Taxes	Utilities and Franchise Fees	Other City Revenues	Total Benefits	Present Value of Total Benefits	Cost of Various City Services	Property Taxes Abated	Total Costs	Present Value of Total Costs	Net Benefits or Costs	Cumulative Net Benefits or Costs	Present Value of Net Benefits	Present Value of Taxes Abated and Incentives
Const.	\$1,120	\$0	\$0	\$25,000	\$26,120	\$26,120	\$0	\$0	\$0	\$0	\$26,120	\$26,120	\$26,120	\$0
1	\$2,265	\$30,414	\$2,410	\$82,013	\$117,102	\$113,691	\$2,562	\$30,414	\$32,976	\$32,016	\$84,126	\$110,246	\$81,676	\$29,528
2	\$2,306	\$30,718	\$2,459	\$82,182	\$117,665	\$110,911	\$2,588	\$30,718	\$33,306	\$31,394	\$84,359	\$194,605	\$79,516	\$29,823
3	\$3,358	\$31,025	\$2,509	\$84,730	\$121,622	\$111,301	\$2,974	\$31,025	\$33,999	\$31,114	\$87,623	\$282,228	\$80,187	\$30,121
4	\$3,425	\$31,335	\$2,558	\$84,926	\$122,244	\$108,612	\$3,004	\$31,335	\$34,339	\$30,510	\$87,905	\$370,133	\$78,102	\$30,422
5	\$3,494	\$31,649	\$2,608	\$85,124	\$122,875	\$105,993	\$3,034	\$31,649	\$34,683	\$29,918	\$88,192	\$458,325	\$76,075	\$30,727
6	\$3,564	\$31,965	\$2,661	\$85,324	\$123,514	\$103,441	\$3,064	\$31,965	\$35,029	\$29,336	\$88,485	\$546,810	\$74,105	\$31,034
7	\$3,635	\$32,285	\$3,713	\$85,526	\$125,159	\$101,766	\$3,096	\$32,285	\$35,381	\$28,768	\$89,778	\$636,588	\$72,998	\$31,345
8	\$3,708	\$32,608	\$2,768	\$85,730	\$124,814	\$98,529	\$3,126	\$32,608	\$35,734	\$28,209	\$89,080	\$725,668	\$70,321	\$31,658
9	\$3,782	\$32,934	\$2,824	\$85,936	\$125,476	\$96,167	\$3,157	\$32,934	\$36,091	\$27,661	\$89,385	\$815,053	\$68,506	\$31,975
10	\$3,857	\$33,263	\$2,880	\$86,144	\$126,144	\$93,863	\$3,188	\$33,263	\$36,451	\$27,123	\$89,693	\$904,746	\$66,740	\$32,294
Total	\$34,514	\$318,196	\$27,390	\$872,635	\$1,252,735	\$1,070,394	\$29,793	\$318,196	\$347,989	\$296,048	\$904,746	\$904,746	\$774,347	\$308,928

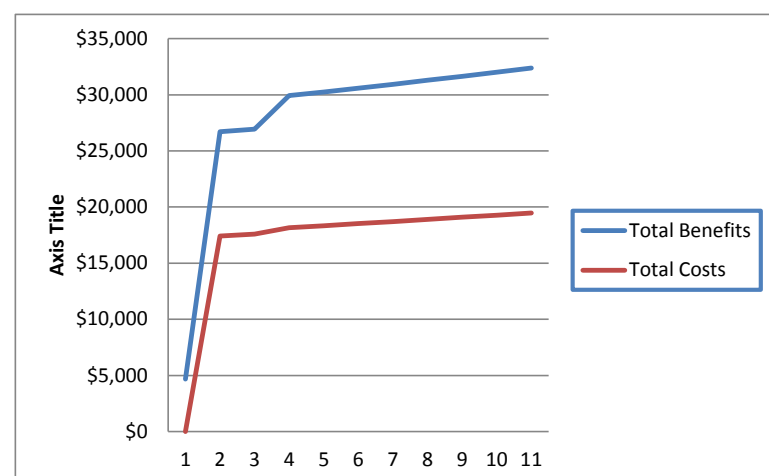
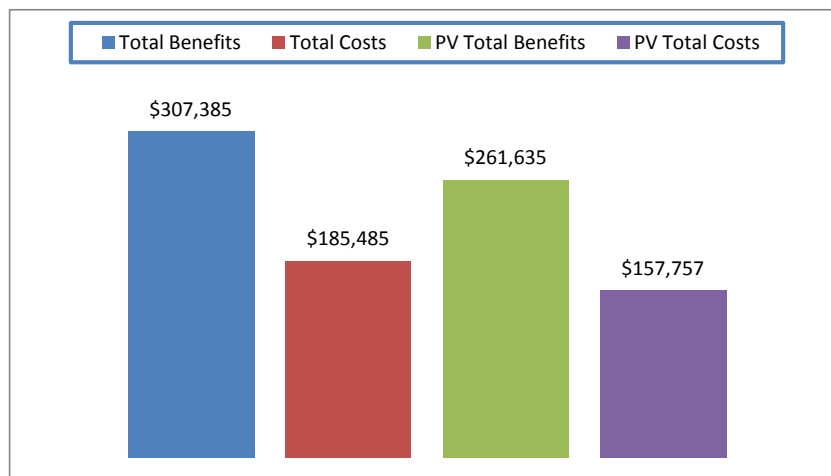


SUMMARY OF COSTS AND BENEFITS FOR: Johnson Co.
PROJECT: The DeLong Co., Inc.

DATE: 1/16/2013 **DISCOUNT RATE:** 3.00%

Ratio of Actual Benefits to Actual Costs Over the 10-Year Period: 1.66
Ratio of Present Value of Total Benefits to Present Value of Total Costs: 1.66
Average ROI 6.57%

Year	Sales Taxes	Property Taxes	Other County Revenues	Total Benefits	Present Value of Total Benefits	Cost of Various County Services	Property Taxes Abated	Total Costs	Present Value of Total Costs	Net Benefits or Costs	Cumulative Net Benefits or Costs	Present Value of Net Benefits	Present Value of Taxes Abated and Incentives
Const.	\$4,680	\$0	\$0	\$4,680	\$4,680	\$0	\$0	\$0	\$0	\$4,680	\$4,680	\$4,680	\$0
1	\$5,052	\$14,617	\$7,032	\$26,701	\$25,923	\$2,800	\$14,617	\$17,417	\$16,910	\$9,284	\$13,964	\$9,014	\$14,617
2	\$5,114	\$14,763	\$7,066	\$26,943	\$25,396	\$2,828	\$14,763	\$17,591	\$16,581	\$9,352	\$23,316	\$8,815	\$14,763
3	\$7,435	\$14,910	\$7,575	\$29,920	\$27,381	\$3,251	\$14,910	\$18,161	\$16,620	\$11,759	\$35,075	\$10,761	\$14,910
4	\$7,583	\$15,059	\$7,614	\$30,256	\$26,882	\$3,283	\$15,059	\$18,342	\$16,297	\$11,914	\$46,989	\$10,585	\$15,059
5	\$7,734	\$15,210	\$7,654	\$30,598	\$26,394	\$3,316	\$15,210	\$18,526	\$15,981	\$12,072	\$59,061	\$10,413	\$15,210
6	\$7,888	\$15,362	\$7,694	\$30,944	\$25,915	\$3,349	\$15,362	\$18,711	\$15,670	\$12,233	\$71,294	\$10,245	\$15,362
7	\$8,046	\$15,516	\$7,734	\$31,296	\$25,447	\$3,383	\$15,516	\$18,899	\$15,367	\$12,397	\$83,691	\$10,080	\$15,516
8	\$8,206	\$15,671	\$7,775	\$31,652	\$24,986	\$3,417	\$15,671	\$19,088	\$15,068	\$12,564	\$96,255	\$9,918	\$15,671
9	\$8,370	\$15,828	\$7,816	\$32,014	\$24,536	\$3,451	\$15,828	\$19,279	\$14,776	\$12,735	\$108,990	\$9,760	\$15,828
10	\$8,537	\$15,986	\$7,858	\$32,381	\$24,095	\$3,485	\$15,986	\$19,471	\$14,488	\$12,910	\$121,900	\$9,606	\$15,986
Total	\$78,645	\$152,922	\$75,818	\$307,385	\$261,635	\$32,563	\$152,922	\$185,485	\$157,757	\$121,900	\$121,900	\$103,878	\$152,922



SUMMARY OF COSTS AND BENEFITS FOR: Gardner-Edgerton 231
PROJECT: The DeLong Co., Inc.

DATE: 1/16/2013

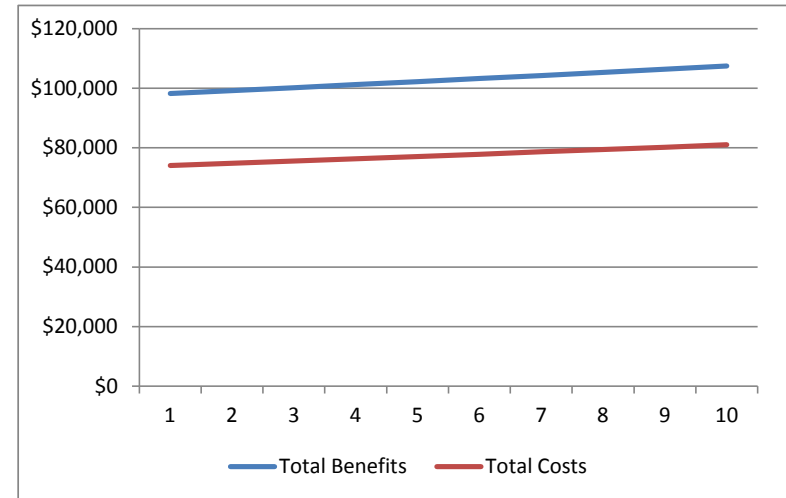
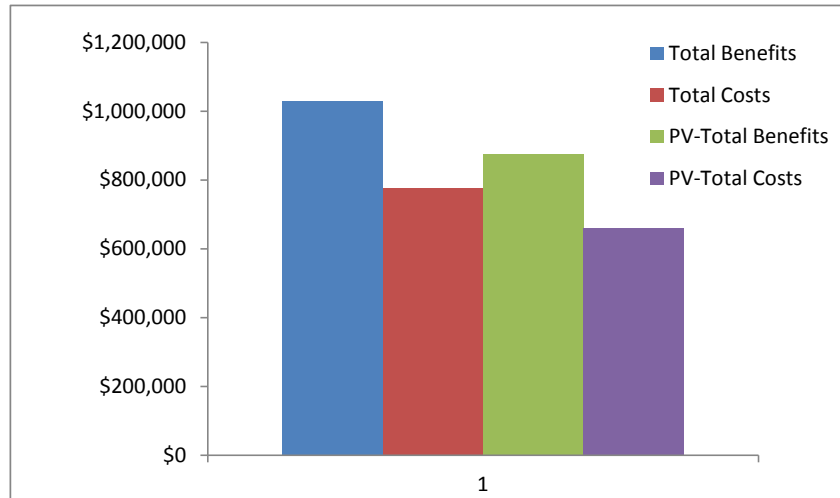
DISCOUNT RATE: 3.00%

Ratio of Actual Benefits to Actual Costs Over the 10-Year Period: 1.33

Ratio of Present Value of Total Benefits to Present Value of Total Costs: 1.33

(Typical desired ratio would be 1.3 to 1) **Average ROI** 3.26%

Year	Property Taxes	Additional State, Federal and Other Funding	Total Benefits	Present Value of Total Benefits	Additional Costs	Property Taxes Abated	Total Costs	Present Value of Total Costs	Net Benefits or Costs	Cumulative Net Benefits or Costs	Present Value of Net Benefits	Present Value of Taxes Abated
Const.	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
1	\$51,366	\$46,863	\$98,229	\$95,368	\$22,716	\$51,366	\$74,082	\$71,924	\$24,147	\$24,147	\$23,444	\$49,870
2	\$51,880	\$47,332	\$99,212	\$93,517	\$22,943	\$51,880	\$74,823	\$70,528	\$24,389	\$48,536	\$22,989	\$48,902
3	\$52,399	\$47,805	\$100,204	\$91,701	\$23,173	\$52,399	\$75,572	\$69,159	\$24,632	\$73,168	\$22,542	\$47,953
4	\$52,923	\$48,283	\$101,206	\$89,920	\$23,404	\$52,923	\$76,327	\$67,816	\$24,879	\$98,047	\$22,105	\$47,021
5	\$53,452	\$48,766	\$102,218	\$88,174	\$23,638	\$53,452	\$77,090	\$66,499	\$25,128	\$123,175	\$21,676	\$46,108
6	\$53,986	\$49,254	\$103,240	\$86,462	\$23,875	\$53,986	\$77,861	\$65,207	\$25,379	\$148,554	\$21,255	\$45,212
7	\$54,526	\$49,746	\$104,272	\$84,783	\$24,113	\$54,526	\$78,639	\$63,941	\$25,633	\$174,187	\$20,842	\$44,335
8	\$55,071	\$50,244	\$105,315	\$83,137	\$24,355	\$55,071	\$79,426	\$62,700	\$25,889	\$200,076	\$20,437	\$43,474
9	\$55,622	\$50,746	\$106,368	\$81,522	\$24,598	\$55,622	\$80,220	\$61,482	\$26,148	\$226,224	\$20,040	\$42,630
10	\$56,178	\$51,254	\$107,432	\$79,939	\$24,844	\$56,178	\$81,022	\$60,288	\$26,410	\$252,634	\$19,652	\$41,802
Total	\$537,403	\$490,293	\$1,027,696	\$874,523	\$237,659	\$537,403	\$775,062	\$659,543	\$252,634	\$252,634	\$214,980	\$457,306



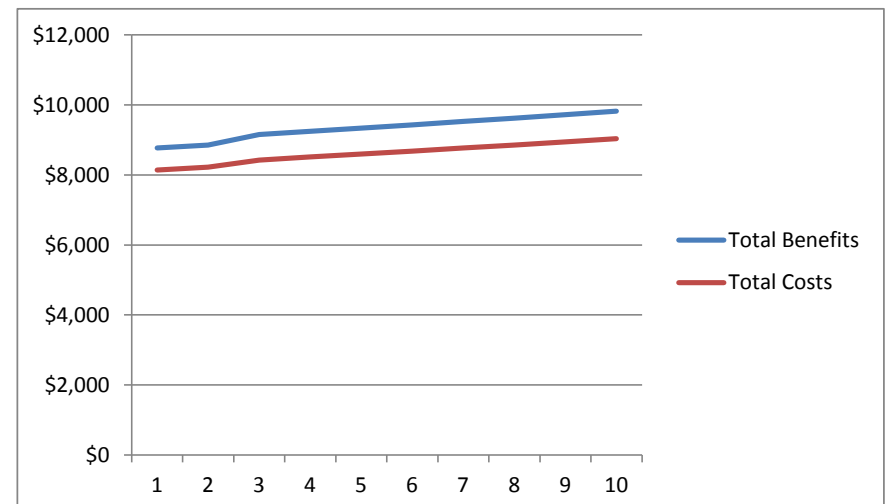
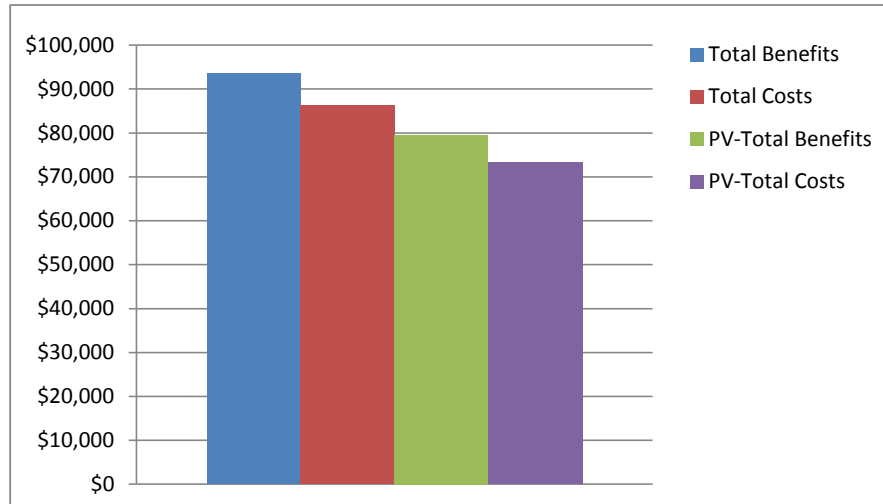
SUMMARY OF COSTS AND BENEFITS FOR: Johnson Co CC
PROJECT: The DeLong Co., Inc.

DATE: 1/16/2013

DISCOUNT RATE: 3.00%

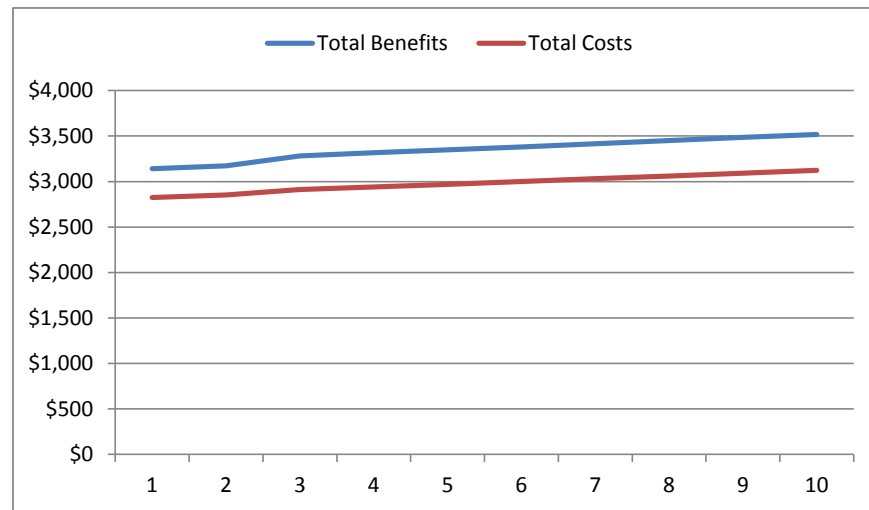
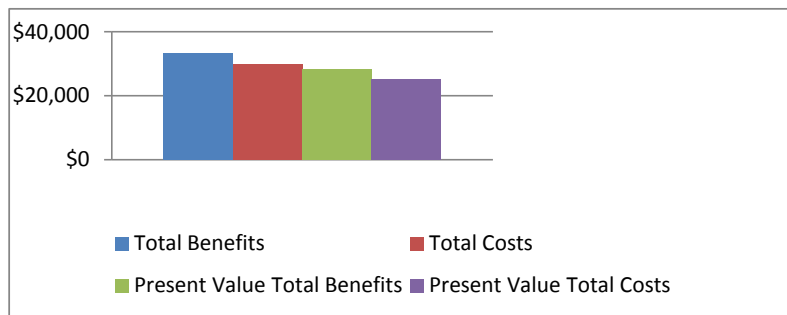
Ratio of Actual Benefits to Actual Costs Over the 10-Year Period: 1.08
Ratio of Present Value of Total Benefits to Present Value of Total Costs: 1.08
 (Typical desired ratio would be 1.3 to 1) **Average ROI** 0.85%

Year	Property Taxes	Additional Revenues	Total Benefits	Present Value of Total Benefits	Additional Costs	Property Taxes Abated	Total Costs	Present Value of Total Costs	Net Benefits or Costs	Cumulative Net Benefits or Costs	Present Value of Net Benefits	Present Value of Taxes Abated
Const.	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
1	\$7,248	\$1,519	\$8,767	\$8,512	\$891	\$7,248	\$8,139	\$7,902	\$628	\$628	\$610	\$7,037
2	\$7,320	\$1,534	\$8,854	\$8,346	\$900	\$7,320	\$8,220	\$7,748	\$634	\$1,262	\$598	\$6,900
3	\$7,393	\$1,763	\$9,156	\$8,379	\$1,034	\$7,393	\$8,427	\$7,712	\$729	\$1,991	\$667	\$6,766
4	\$7,467	\$1,781	\$9,248	\$8,217	\$1,045	\$7,467	\$8,512	\$7,563	\$736	\$2,727	\$654	\$6,634
5	\$7,542	\$1,798	\$9,340	\$8,057	\$1,055	\$7,542	\$8,597	\$7,416	\$743	\$3,470	\$641	\$6,506
6	\$7,617	\$1,816	\$9,433	\$7,900	\$1,066	\$7,617	\$8,683	\$7,272	\$750	\$4,220	\$628	\$6,379
7	\$7,694	\$1,834	\$9,528	\$7,747	\$1,076	\$7,694	\$8,770	\$7,131	\$758	\$4,978	\$616	\$6,256
8	\$7,770	\$1,853	\$9,623	\$7,596	\$1,087	\$7,770	\$8,857	\$6,992	\$766	\$5,744	\$605	\$6,134
9	\$7,848	\$1,871	\$9,719	\$7,449	\$1,098	\$7,848	\$8,946	\$6,856	\$773	\$6,517	\$592	\$6,015
10	\$7,927	\$1,890	\$9,817	\$7,305	\$1,109	\$7,927	\$9,036	\$6,724	\$781	\$7,298	\$581	\$5,898
Total	\$75,826	\$17,659	\$93,485	\$79,507	\$10,361	\$75,826	\$86,187	\$73,315	\$7,298	\$7,298	\$6,192	\$64,524



SUMMARY OF COSTS AND BENEFITS FOR: Library **Ratio of Actual Benefits to Actual Costs Over the 10-Year Period:** 1.12
PROJECT: The DeLong Co., Inc. **Ratio of Present Value of Total Benefits to Present Value of Total Costs:** 1.12
DATE: 1/16/2013 **DISCOUNT RATE:** 3.00% (Typical desired ratio would be 1.3 to 1) **Average ROI** 1.24%

Year	Property Taxes	Additional Revenues	Total Benefits	Present Value of Total Benefits	Additional Costs	Property Taxes Abated	Total Costs	Present Value of Total Costs	Net Benefits or Costs	Cumulative Net Benefits or Costs	Present Value of Net Benefits	Present Value of Taxes Abated
Const.	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
1	\$2,598	\$544	\$3,142	\$3,050	\$225	\$2,598	\$2,823	\$2,741	\$319	\$319	\$310	\$2,522
2	\$2,624	\$550	\$3,174	\$2,992	\$228	\$2,624	\$2,852	\$2,688	\$322	\$641	\$304	\$2,473
3	\$2,650	\$632	\$3,282	\$3,003	\$262	\$2,650	\$2,912	\$2,665	\$370	\$1,011	\$339	\$2,425
4	\$2,677	\$638	\$3,315	\$2,945	\$264	\$2,677	\$2,941	\$2,613	\$374	\$1,385	\$332	\$2,378
5	\$2,703	\$645	\$3,348	\$2,888	\$267	\$2,703	\$2,970	\$2,562	\$378	\$1,763	\$326	\$2,332
6	\$2,730	\$651	\$3,381	\$2,832	\$270	\$2,730	\$3,000	\$2,512	\$381	\$2,144	\$319	\$2,286
7	\$2,758	\$658	\$3,416	\$2,778	\$272	\$2,758	\$3,030	\$2,464	\$386	\$2,530	\$314	\$2,243
8	\$2,785	\$664	\$3,449	\$2,723	\$275	\$2,785	\$3,060	\$2,416	\$389	\$2,919	\$307	\$2,199
9	\$2,813	\$671	\$3,484	\$2,670	\$278	\$2,813	\$3,091	\$2,369	\$393	\$3,312	\$301	\$2,156
10	\$2,841	\$677	\$3,518	\$2,618	\$281	\$2,841	\$3,122	\$2,323	\$396	\$3,708	\$295	\$2,114
Total	\$27,179	\$6,330	\$33,509	\$28,499	\$2,622	\$27,179	\$29,801	\$25,353	\$3,708	\$3,708	\$3,146	\$23,128



SUMMARY OF COSTS AND BENEFITS FOR:

PROJECT:

The DeLong Co., Inc.

Parks & Rec. Ratio of Actual Benefits to Actual Costs Over the 10-Year Period:

1.02

Ratio of Present Value of Total Benefits to Present Value of Total Costs:

1.02

DATE: 1/16/2013

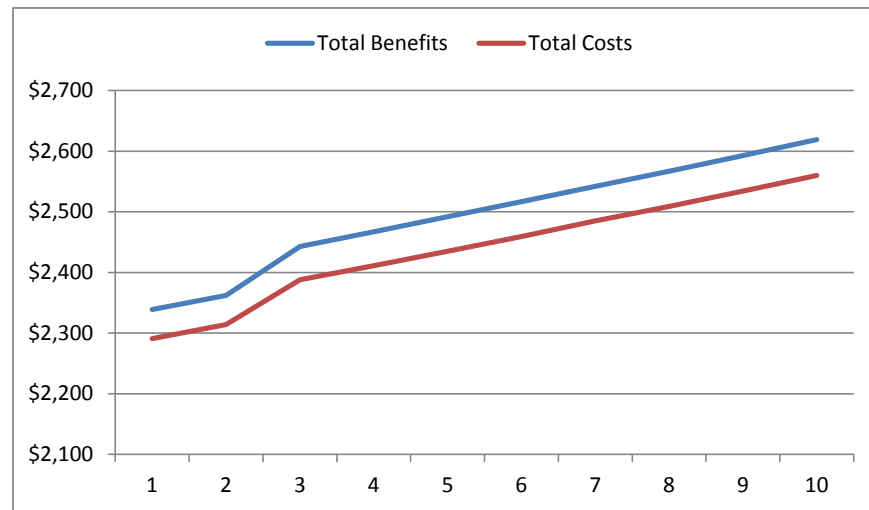
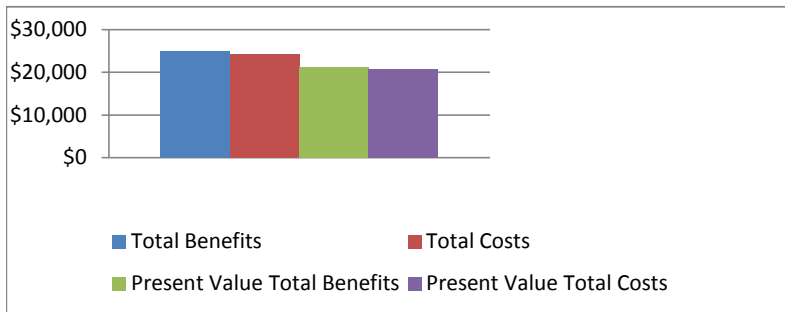
DISCOUNT RATE:

3.00% (Typical desired ratio would be 1.3 to 1)

Average ROI

0.23%

Year	Property Taxes	Additional Revenues	Total Benefits	Present Value of Total Benefits	Additional Costs	Property Taxes Abated	Total Costs	Present Value of Total Costs	Net Benefits or Costs	Cumulative Net Benefits or Costs	Present Value of Net Benefits	Present Value of Taxes Abated
Const.	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
1	\$1,934	\$405	\$2,339	\$2,271	\$357	\$1,934	\$2,291	\$2,224	\$48	\$48	\$47	\$1,878
2	\$1,953	\$409	\$2,362	\$2,226	\$361	\$1,953	\$2,314	\$2,181	\$48	\$96	\$45	\$1,841
3	\$1,973	\$470	\$2,443	\$2,236	\$415	\$1,973	\$2,388	\$2,185	\$55	\$151	\$50	\$1,806
4	\$1,992	\$475	\$2,467	\$2,192	\$419	\$1,992	\$2,411	\$2,142	\$56	\$207	\$50	\$1,770
5	\$2,012	\$480	\$2,492	\$2,150	\$423	\$2,012	\$2,435	\$2,100	\$57	\$264	\$49	\$1,736
6	\$2,032	\$485	\$2,517	\$2,108	\$427	\$2,032	\$2,459	\$2,059	\$58	\$322	\$49	\$1,702
7	\$2,053	\$489	\$2,542	\$2,067	\$432	\$2,053	\$2,485	\$2,021	\$57	\$379	\$46	\$1,669
8	\$2,073	\$494	\$2,567	\$2,026	\$436	\$2,073	\$2,509	\$1,981	\$58	\$437	\$46	\$1,636
9	\$2,094	\$499	\$2,593	\$1,987	\$440	\$2,094	\$2,534	\$1,942	\$59	\$496	\$45	\$1,605
10	\$2,115	\$504	\$2,619	\$1,949	\$445	\$2,115	\$2,560	\$1,905	\$59	\$555	\$44	\$1,574
Total	\$20,231	\$4,710	\$24,941	\$21,212	\$4,155	\$20,231	\$24,386	\$20,741	\$555	\$555	\$471	\$17,216



SUMMARY OF COSTS AND BENEFITS FOR:

PROJECT:

The DeLong Co., Inc.

Edgerton Cem.

Ratio of Actual Benefits to Actual Costs Over the 10-Year Period:

1.15

Ratio of Present Value of Total Benefits to Present Value of Total Costs:

1.15

DATE: 1/16/2013

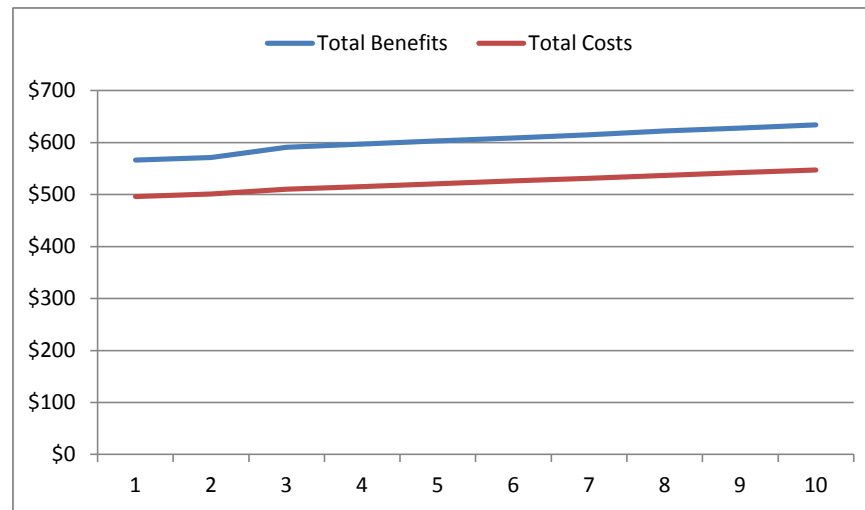
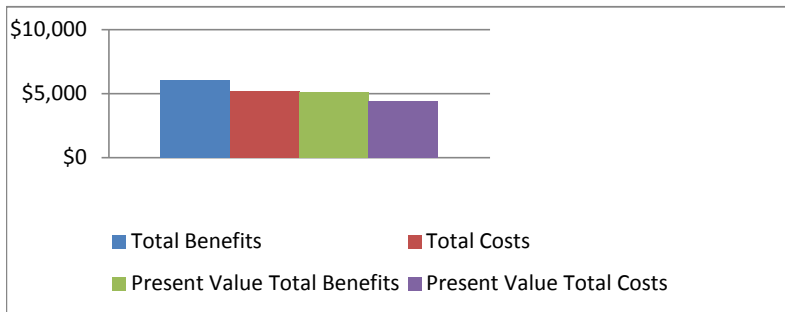
DISCOUNT RATE:

3.00% (Typical desired ratio would be 1.3 to 1)

Average ROI

1.55%

Year	Property Taxes	Additional Revenues	Total Benefits	Present Value of Total Benefits	Additional Costs	Property Taxes Abated	Total Costs	Present Value of Total Costs	Net Benefits or Costs	Cumulative Net Benefits or Costs	Present Value of Net Benefits	Present Value of Taxes Abated
Const.	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
1	\$468	\$98	\$566	\$550	\$28	\$468	\$496	\$482	\$70	\$70	\$68	\$454
2	\$472	\$99	\$571	\$538	\$29	\$472	\$501	\$472	\$70	\$140	\$66	\$445
3	\$477	\$114	\$591	\$541	\$33	\$477	\$510	\$467	\$81	\$221	\$74	\$437
4	\$482	\$115	\$597	\$530	\$33	\$482	\$515	\$458	\$82	\$303	\$73	\$428
5	\$487	\$116	\$603	\$520	\$34	\$487	\$521	\$449	\$82	\$385	\$71	\$420
6	\$492	\$117	\$609	\$510	\$34	\$492	\$526	\$441	\$83	\$468	\$70	\$412
7	\$497	\$118	\$615	\$500	\$34	\$497	\$531	\$432	\$84	\$552	\$68	\$404
8	\$502	\$120	\$622	\$491	\$35	\$502	\$537	\$424	\$85	\$637	\$67	\$396
9	\$507	\$121	\$628	\$481	\$35	\$507	\$542	\$415	\$86	\$723	\$66	\$389
10	\$512	\$122	\$634	\$472	\$35	\$512	\$547	\$407	\$87	\$810	\$65	\$381
Total	\$4,896	\$1,140	\$6,036	\$5,133	\$330	\$4,896	\$5,226	\$4,446	\$810	\$810	\$687	\$4,166



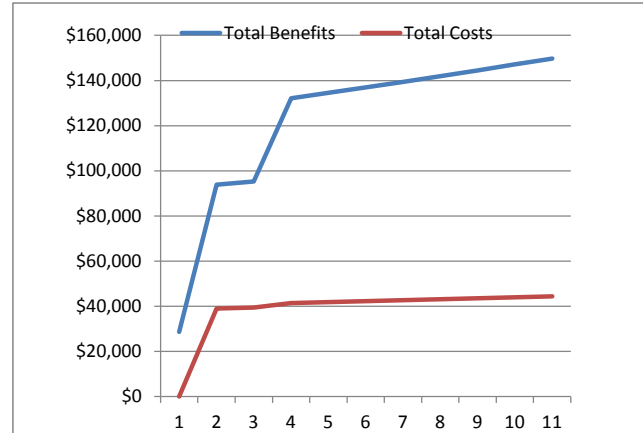
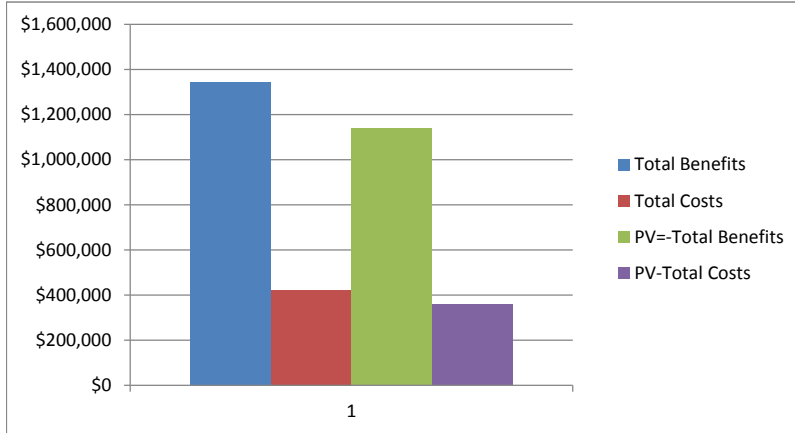
SUMMARY OF COSTS AND BENEFITS FOR:
PROJECT: The DeLong Co., Inc.
DATE: 1/16/2013

Kansas

DISCOUNT RATE: 3.00%

Ratio of Actual Benefits to Actual Costs Over the 10-Year Period: 3.19
Ratio of Present Value of Total Benefits to Present Value of Total Costs: 3.18
 (Typical desired ratio would be 1.3 to 1) **Average ROI** 21.87%

Year	Sales Taxes	Property Taxes	Corporate and Personal Income Taxes	Other State Revenues	Total Benefits	Present Value of Total Benefits	Cost of Various State Services	Cost of Educating New Students	Property Taxes Abated	Total Costs	Present Value of Total Costs	Net Benefits or Costs	Cumulative Net Benefits or Costs	Present Value of Net Benefits	Present Value of Taxes Abated and Incentives
Const.	\$24,066	\$0	\$4,585	\$0	\$28,651	\$28,651	\$0	\$0	\$0	\$0	\$0	\$28,651	\$28,651	\$28,651	\$0
1	\$25,983	\$1,238	\$44,190	\$22,437	\$93,848	\$91,115	\$9,114	\$28,636	\$1,238	\$38,988	\$37,852	\$54,860	\$83,511	\$53,262	\$1,202
2	\$26,301	\$1,250	\$45,086	\$22,659	\$95,296	\$89,826	\$9,205	\$28,922	\$1,250	\$39,377	\$37,117	\$55,919	\$139,430	\$52,709	\$1,214
3	\$38,237	\$1,262	\$65,714	\$26,971	\$132,184	\$120,967	\$10,980	\$29,212	\$1,262	\$41,454	\$37,936	\$90,730	\$230,160	\$83,031	\$1,225
4	\$38,999	\$1,275	\$67,045	\$27,237	\$134,556	\$119,551	\$11,090	\$29,504	\$1,275	\$41,869	\$37,200	\$92,687	\$322,847	\$82,351	\$1,238
5	\$39,777	\$1,288	\$68,403	\$27,507	\$136,975	\$118,156	\$11,201	\$29,799	\$1,288	\$42,288	\$36,478	\$94,687	\$417,534	\$81,678	\$1,250
6	\$40,569	\$1,301	\$69,785	\$27,779	\$139,434	\$116,774	\$11,313	\$30,097	\$1,301	\$42,711	\$35,770	\$96,723	\$514,257	\$81,004	\$1,263
7	\$41,379	\$1,314	\$71,199	\$28,053	\$141,945	\$115,414	\$11,426	\$30,398	\$1,314	\$43,138	\$35,075	\$98,807	\$613,064	\$80,339	\$1,276
8	\$42,204	\$1,327	\$72,640	\$28,331	\$144,502	\$114,071	\$11,540	\$30,702	\$1,327	\$43,569	\$34,394	\$100,933	\$713,997	\$79,677	\$1,288
9	\$43,046	\$1,340	\$74,109	\$28,611	\$147,106	\$112,744	\$11,656	\$31,009	\$1,340	\$44,005	\$33,726	\$103,101	\$817,098	\$79,018	\$1,301
10	\$43,903	\$1,353	\$75,606	\$28,894	\$149,756	\$111,433	\$11,772	\$31,319	\$1,353	\$44,444	\$33,071	\$105,312	\$922,410	\$78,362	\$1,314
Total	\$404,464	\$12,948	\$658,362	\$268,479	\$1,344,253	\$1,138,702	\$109,297	\$299,598	\$12,948	\$421,843	\$358,619	\$922,410	\$922,410	\$780,083	\$12,571



The Economic Impact of the Firm

	<u>In the first year</u>	<u>Over the next ten years</u>
Number of Jobs Created (Includes related jobs from construction, etc)	7	10
Number of New Residents in the Community	12	12
Number of Additional Students in the Local School District	6	6
Increase in Local Personal Incomes	\$260,400	\$3,847,764
Increase in Local Retail Sales	\$169,260	\$2,501,047
Increase in the Community's Property Tax Base	\$3,300,000	\$3,609,161

PILOT Distribution Worksheet

Project Name:	DeLong Company, Inc.	Full Value	Assess. Rate	Assess. Value	Total Levy	Total Tax	PILOT %	PILOT Amount
City:	Edgerton	Land: 1,100,000	25.00%	\$275,000	133.1890	\$36,627	25.00%	9,156.74
County	Johnson	Building: 2,200,000	25.00%	\$550,000	133.1890	\$73,254	25.00%	18,313.49
School District:	Gardner-Edgerton	Total 3,300,000		\$825,000		\$109,881		27,470.23
Special District #1:	County Library							
Special District #2:	Parks & Recreation							
Special District #3:	Edgerton Cemetery							
Special District #4:	Johnson Co. Comm. Coll.							

Year	Total PILOT	City Mill Levy	PerCent	City Payment	County Levy	PerCent	County Payment	School Levy	PerCent	School Payment	Library Levy	PerCent	Library Payment
1	\$27,470.23	36.8650	27.679%	\$7,603.41	17.7170	13.302%	\$3,654.13	62.2620	46.747%	\$12,841.54	3.1490	2.364%	\$649.48
2	\$27,470.23	36.8650	27.679%	\$7,603.41	17.7170	13.302%	\$3,654.13	62.2620	46.747%	\$12,841.54	3.1490	2.364%	\$649.48
3	\$27,470.23	36.8650	27.679%	\$7,603.41	17.7170	13.302%	\$3,654.13	62.2620	46.747%	\$12,841.54	3.1490	2.364%	\$649.48
4	\$27,470.23	36.8650	27.679%	\$7,603.41	17.7170	13.302%	\$3,654.13	62.2620	46.747%	\$12,841.54	3.1490	2.364%	\$649.48
5	\$27,470.23	36.8650	27.679%	\$7,603.41	17.7170	13.302%	\$3,654.13	62.2620	46.747%	\$12,841.54	3.1490	2.364%	\$649.48
6	\$27,470.23	36.8650	27.679%	\$7,603.41	17.7170	13.302%	\$3,654.13	62.2620	46.747%	\$12,841.54	3.1490	2.364%	\$649.48
7	\$27,470.23	36.8650	27.679%	\$7,603.41	17.7170	13.302%	\$3,654.13	62.2620	46.747%	\$12,841.54	3.1490	2.364%	\$649.48
8	\$27,470.23	36.8650	27.679%	\$7,603.41	17.7170	13.302%	\$3,654.13	62.2620	46.747%	\$12,841.54	3.1490	2.364%	\$649.48
9	\$27,470.23	36.8650	27.679%	\$7,603.41	17.7170	13.302%	\$3,654.13	62.2620	46.747%	\$12,841.54	3.1490	2.364%	\$649.48
10	\$27,470.23	36.8650	27.679%	\$7,603.41	17.7170	13.302%	\$3,654.13	62.2620	46.747%	\$12,841.54	3.1490	2.364%	\$649.48
Total	\$274,702.31			\$76,034.06			\$36,541.31			\$128,415.38			\$6,494.81

Year	P & R Levy	PerCent	P & R Payment	Cemetery Levy	PerCent	Cemetery Payment	JCCC Levy	PerCent	JCCC Payment	State Levy	PerCent	State Payment	Total Payments	Total Levy
1	2.3440	1.760%	\$483.45	0.5670	0.426%	\$116.94	8.7850	6.596%	\$1,811.91	1.5000	1.126%	\$309.38	\$27,470.23	133.1890
2	2.3440	1.760%	\$483.45	0.5670	0.426%	\$116.94	8.7850	6.596%	\$1,811.91	1.5000	1.126%	\$309.38	\$27,470.23	133.1890
3	2.3440	1.760%	\$483.45	0.5670	0.426%	\$116.94	8.7850	6.596%	\$1,811.91	1.5000	1.126%	\$309.38	\$27,470.23	133.1890
4	2.3440	1.760%	\$483.45	0.5670	0.426%	\$116.94	8.7850	6.596%	\$1,811.91	1.5000	1.126%	\$309.38	\$27,470.23	133.1890
5	2.3440	1.760%	\$483.45	0.5670	0.426%	\$116.94	8.7850	6.596%	\$1,811.91	1.5000	1.126%	\$309.38	\$27,470.23	133.1890
6	2.3440	1.760%	\$483.45	0.5670	0.426%	\$116.94	8.7850	6.596%	\$1,811.91	1.5000	1.126%	\$309.38	\$27,470.23	133.1890
7	2.3440	1.760%	\$483.45	0.5670	0.426%	\$116.94	8.7850	6.596%	\$1,811.91	1.5000	1.126%	\$309.38	\$27,470.23	133.1890
8	2.3440	1.760%	\$483.45	0.5670	0.426%	\$116.94	8.7850	6.596%	\$1,811.91	1.5000	1.126%	\$309.38	\$27,470.23	133.1890
9	2.3440	1.760%	\$483.45	0.5670	0.426%	\$116.94	8.7850	6.596%	\$1,811.91	1.5000	1.126%	\$309.38	\$27,470.23	133.1890
10	2.3440	1.760%	\$483.45	0.5670	0.426%	\$116.94	8.7850	6.596%	\$1,811.91	1.5000	1.126%	\$309.38	\$27,470.23	133.1890
Total			\$4,834.50			\$1,169.44			\$18,119.06			\$3,093.75	\$274,702.31	

AGENDA ITEM INFORMATION FORM

Agenda Item: Consider the Cancellation of Contract No. 06-7 between the City of Edgerton and the Kansas Water Office

Department: Administration

Background/Description of Item: In 2012 after nearly four years of effort, the City of Edgerton joined eight other entities to form the Hillsdale Area Water Cooperative (HAWC). The Cooperative includes City of Edgerton; City of Gardner; City of Spring Hill, City of Wellsville; Franklin County Rural Water District No.1, Johnson County Rural Water District No. 7, Miami County Rural Water District No. 1; Miami County Rural Water District No. 2; and Miami County Rural Water District No. 4.

Prior to joining HAWC, collectively the entities had expressed a desire to purchase more water than Hillsdale Lake could provide during a protracted drought. The Cooperative agreement allows for Hillsdale Lake to meet the current and future needs of the region. According to the Kansas Water Office, the agreement exemplifies what a state and local partnership can accomplish.

Prior to joining HAWC, the City of Edgerton had a Water Marketing Contract with the Kansas Water Office from 2006. With the beginning of 2013, the Water Marketing Contract for HAWC is now in effect. Therefore, the City of Edgerton needs to cancel its existing contract.

Enclosed is the form provided by the Kansas Water Office to cancel the existing contract between the City of Edgerton and the Kansas Water Office. Enclosed for your reference is the Contract 06-7 between the City of Edgerton and KWO and Contract 13-1 between HAWC and KWO.

Enclosures: Cancellation Form
Contract 06-7 between the City of Edgerton and Kansas Water Office.
Contract 13-1 between Hillsdale Area Water Cooperative and Kansas Water Office

Related Ordinance(s) or Statute(s):

Recommendation: Approve the Cancellation of Contract No. 06-7 between the City of Edgerton and the Kansas Water Office

Funding Source: N/A

Prepared by: Beth Linn, City Administrator
Date: January 20, 2013

Contract Cancellation
City of Edgerton Contract No. 06-7

Comes now the parties, the Kansas Water Office (hereinafter "KWO") and City of Edgerton and execute this document evidencing their mutual agreement that the contract between the parties has been cancelled as per Contract 13 - 01 between the State of Kansas and Hillsdale Area Water Cooperative (hereinafter "HAWC") which contract was approved by the Kansas Water Authority May, 2012.

In support thereof, the parties agree to the following:

- A. That the parties entered into a contract No 06-7.
- B. That the City of Edgerton is a member of the HAWC.
- C. That the HAWC contract 13-1 contains the following Article 16.
 - a. "Except as provided in subparagraph 16c below, the parties hereto acknowledge the intent of the Purchasers described above to seek that the KWA approve the cancellation of those existing Water Purchase Contracts effective January 1, 2013."
- D. The parties agree that the City of Edgerton is a "purchaser" in the above indicated contract clause.
- E. That the KWA approved the cancellation of the contract at their meeting January 31, 2013.

Therefore, the parties agree that the contract between the parties is now and will forever be terminated and all responsibilities and obligations of the parties under said contract are fulfilled and that the parties owe no further duties to one another under said contract.

In agreement thereto, we set our hands, under the authority of the office held, this 24th of January, 2013.

By: _____
Kansas Water Office

By: Donald Roberts, Mayor
City of Edgerton

11-17-2006

STATE OF KANSAS
Kansas Water Office

CONTRACT
Between the State of Kansas
and
City of Edgerton, Johnson County, Kansas

For a Municipal and Industrial Water Supply
From
HILLSDALE LAKE

Water Purchase Contract Number 06-7

TABLE OF CONTENTS

ARTICLE 1. DEFINITIONS.....	Page 2
ARTICLE 2. TERM OF THE CONTRACT.....	Page 2
ARTICLE 3....LEGISLATIVE DISAPPROVAL AND REVOCATION	Page 2
ARTICLE 4. UNITED STATES APPROVAL.....	Page 3
ARTICLE 5. COMPLIANCE WITH KANSAS STATUTES	Page 3
ARTICLE 6. QUANTITY OF WATER.....	Page 3
ARTICLE 7. PRICE OF WATER.....	Page 4
ARTICLE 8. PURPOSE AND PLACE OF USE.....	Page 6
ARTICLE 9. BILLING AND PAYMENT SCHEDULE.....	Page 6
ARTICLE 10. POINT OF WITHDRAWAL.....	Page 9
ARTICLE 11. METERING OF WATER.....	Page 9
ARTICLE 12. WATER WITHDRAWAL	Page 10
ARTICLE 13. CONTINUITY OF WATER SERVICE.....	Page 11
ARTICLE 14. LIABILITY.....	Page 12
ARTICLE 15. AMENDMENT.....	Page 13
ARTICLE 16. ASSIGNMENT OF CONTRACT	Page 13
ARTICLE 17. RENEWALS.....	Page 13
ARTICLE 18..TERMINATION.....	Page 14
ARTICLE 19. WATER CONSERVATION PLAN.....	Page 14
ARTICLE 20..MISCELLANEOUS PROVISIONS.....	Page 14

KANSAS WATER OFFICE

WATER PURCHASE CONTRACT NO. 06-7

This contract is executed and entered into this 17th day of November, 2006, by and between the STATE OF KANSAS (hereinafter referred to as the "State") as represented by the Kansas Water Office, an authorized agency to enter such contracts for the State of Kansas, and the City of Edgerton, Johnson County, Kansas (hereinafter referred to as the "City of Edgerton").

WITNESSETH:

WHEREAS, the City of Edgerton desires to purchase water for a municipal and industrial water supply; and

WHEREAS, the State has signed an Agreement (Contract No. DACW41-74-C-0098) with the United States of America under the provisions of the Water Supply Act of 1958 (Title III, P.L. 85-500), as amended, for water supply storage space in Hillsdale Reservoir; and

WHEREAS, the State has filed an appropriate water reservation right on May 24, 1974, to divert and store water in Hillsdale Reservoir; and

WHEREAS, the Director of the Kansas Water Office is authorized by K.S.A. 1982 Supp. 74-2615, as amended, and by K.S.A. 82a-1305, as amended, to negotiate contracts for the sale of water from Hillsdale Reservoir; and .

WHEREAS, the City of Edgerton filed an appropriate application on June 28, 2004, with the State to negotiate a long-term water marketing contract for the purchase of raw water from Hillsdale Reservoir, in compliance with the State Water Plan Storage Act, K.S.A. 82a-1301 et seq., as amended; and

WHEREAS, the City of Edgerton's immediate and projected water supply needs can be provided from Hillsdale Reservoir; and

WHEREAS, the withdrawal and use of 200 million gallons of water annually from Hillsdale Reservoir by the City of Edgerton is in the interest of the people of the State of Kansas and will advance the purposes set forth in Article 9 of Chapter 82a of Kansas Statutes Annotated; and

WHEREAS, the City of Edgerton's application number 180 to purchase raw water from Hillsdale Reservoir is approved for a maximum total amount of 200 million gallons per year in accordance with Articles 9 and 13 of Chapter 82a of Kansas Statutes Annotated.

NOW, THEREFORE, in consideration of the foregoing, the parties mutually agree as follows:

ARTICLE 1. DEFINITIONS

As used in this contract, unless the context otherwise requires:

- a. "Authority" means the Kansas Water Authority, or its successor.
- b. "Director" means the Director of the Kansas Water Office, his or her successor, or designated representative.
- c. "Point of withdrawal from Hillsdale Reservoir" means the point at which water is taken from Hillsdale Reservoir by pump, siphon, canal, or any other device; or released through the dam by gates, conduits, or any other means.
- d. "Raw water" refers to untreated water at the point of withdrawal from Hillsdale Reservoir.
- e. "Reservoir" means Hillsdale Reservoir.

ARTICLE 2. TERM OF THE CONTRACT

The term of this contract shall be for a period of forty (40) years beginning on the date of execution of this contract. The City of Edgerton may commence using water at any time after the execution of this contract by providing notice as provided in Article 12.

ARTICLE 3. LEGISLATIVE DISAPPROVAL AND REVOCATION

This contract, any amendment hereto, or renewal thereof is subject to disapproval and revocation by the Kansas Legislature as provided in K.S.A. 82a-1307, and amendments thereto.

ARTICLE 4. UNITED STATES APPROVAL

a. The City of Edgerton shall secure the right from the federal government to construct, modify, alter, or maintain installations and facilities as the City of Edgerton shall deem necessary to effectuate the terms of this contract when such installations and facilities are on federal lands. The City of Edgerton shall bear any and all costs of construction, modification, operation, and maintenance of City of Edgerton-owned, leased, or constructed installations and facilities.

b. The City of Edgerton shall provide the Director with proof of any easement or easements that may be granted by the federal government for rights-of-way across, in, and upon federal government land required for intake, transmission of water, and necessary appurtenances by and for the benefit of the City of Edgerton for the purposes of this contract.

ARTICLE 5. COMPLIANCE WITH KANSAS STATUTES

This contract is subject to such federal and state statutes as may be applicable, including specifically, but not by way of limitation, the State Water Planning Act, K.S.A. 82a-901 et seq., and amendments thereto; the State Water Plan, K.S.A. 82a-927 et seq., and amendments thereto; and the State Water Plan Storage Act, K.S.A. 82a-1301 et seq., and amendments thereto; and the

City of Edgerton agrees to comply with such applicable statutes and any amendments to said statutes which may be enacted subsequent to the execution of this contract.

ARTICLE 6. QUANTITY OF WATER

a. Initial Quantity. During the term of this contract, defined in Article 2, subject to the conditions herein stated, the State will permit the City of Edgerton to withdraw not more than 8,000 million gallons of raw water from the water supply storage in Hillsdale Reservoir; provided, however, that the State shall not be obligated to furnish more than 200 million gallons of raw water in any one (1) calendar year. If the City of Edgerton in any calendar year does not withdraw the entire annual raw water amount obligated under terms of this contract, the unused amount of water shall not add to the City of Edgerton's entitlement in any subsequent year.

b. Graduated Use Schedule. An agreed upon graduated use schedule, attached as Attachment B, is incorporated herein by reference. The maximum annual quantity of water the Purchaser is entitled to use or purchase for each calendar year shall be determined by the graduated use schedule. The minimum annual payment shall be calculated as provided in Article 7 based upon fifty (50) percent of the maximum annual quantity in the graduated use schedule each year.

c. Review and Adjustment. The Director shall review the quantity and purposes for which water is used on the sixth anniversary of the execution of this contract and on each annual anniversary for the remaining portion of the term of this contract. The Director may adjust the total amount of water contracted for on the sixth anniversary of the execution of the contract and on each annual anniversary thereafter, if the City of Edgerton does not begin total use of all waters contracted for during said period or if the City of Edgerton does not provide full payment

for the water under contract and another water user is ready, willing, and able to contract for such water.

If the City of Edgerton's actual use in any one year exceeds the maximum annual quantity set forth in the graduated use schedule for that year, the Director may increase the maximum quantity set for each following year at or above the City of Edgerton's maximum actual use during the preceding year, up to but not to exceed 200 million gallons per year.

d. Water Appropriation Rights. Any rights under the Kansas Water Appropriation Act, K.S.A. 82a-701 et seq., and amendments thereto, acquired by the City of Edgerton and having priority dates later than May 24, 1974, shall not be used by the City of Edgerton in lieu of any quantity of raw water obligated under terms of this contract. Any water received under authority of such water appropriation rights shall not be counted against the City of Edgerton's annual water entitlement under this contract even though the City of Edgerton may have to pay the State as if the water had been received under this contract as provided in Article 9.

The City of Edgerton may use water withdrawn in accordance with the terms of this contract without obtaining a permit or water right under the Kansas Water Appropriation Act. Rights of the City of Edgerton under this contract shall be entitled to the same protection as any other vested property interest including vested water rights, water appropriation rights, and approved applications for permit to appropriate water.

ARTICLE 7. PRICE OF WATER

a. Price. The City of Edgerton agrees to pay the State at the rate fixed in accordance with K.S.A. 82a-1306, and amendments thereto, for each one thousand (1,000) gallons of raw water used or raw water which must be paid for under terms of this contract throughout the term of this contract; provided, however, that the City of Edgerton is obligated and agrees to pay the

minimum charges in accordance with this Article regardless of the quantity of raw water actually used, except as provided in Article 13. The rate for raw water which must be paid for under terms of this contract shall be \$0.12289 for each one thousand (1,000) gallons during calendar year 2006. In 2007, the rate shall be \$0.18016 for each one thousand (1,000) gallons of raw water which must be paid for under the terms of this contract.

b. **Minimum Charge.** The City of Edgerton agrees to pay to the State a minimum charge whether or not water is withdrawn during the calendar year. The minimum charge for each calendar year shall be determined as provided in K.S.A. 82a-1306, and amendments thereto. The minimum charge for calendar year 2006 and each succeeding calendar year, unless changed by amendment of State statutes, shall be the sum of the following two components:

(1) 50 percent of the total amount of water contracted for during the term of this contract, as determined by the graduated use schedule, Attachment B, multiplied by the rate established in accordance with paragraph (a) of this Article or as adjusted in accordance with paragraph (c) of this Article; and

(2) a charge on the remaining fifty (50) percent of water contracted for during the year computed by multiplying the net amount of moneys advanced from state funds for costs incurred and associated conservation storage water supply under the State Water Marketing Program by the average rate of interest earned during the past calendar year by the Pooled Money Investment Board on thirty (30) day repurchase agreements and by the portion of the remaining fifty (50) percent under contract to the total conservation water supply capacity available under the State Water Marketing Program.

c. **Review and Adjustment of Rates.** The Director shall review the fixed rate stated in this Article on July 15 of each year during the term of this contract and may adjust the rate

effective January 1 of the following year to reflect any change in experience by substituting the adjusted rate for the fixed rate then applicable to the contract. Such adjusted rate shall be charged for all water used or water which must be paid for under terms of this contract as provided in Article 9. The Director shall notify the City of Edgerton by registered mail by July 31 of each year of the adjusted rate which will become effective on January 1 of the ensuing year and shall notify the City of Edgerton of the adjusted minimum payment which will be required under the terms and conditions of this contract. Failure to furnish such notification by July 31 shall not relieve the City of Edgerton of the obligation to pay such adjusted rate.

ARTICLE 8. PURPOSE AND PLACE OF USE

- a. Purpose. Water purchased under this contract shall be used for purposes which are stated in the preamble of this contract.
- b. Place of Use. The parties agree that each is aware of the current place of use, water supply and distribution points provided by and for the City of Edgerton, the City of Edgerton's immediate vicinity, and the City of Edgerton's current water supply and distribution boundaries to customers outside the City of Edgerton. The parties agree that the City of Edgerton's current supply and distribution boundaries, use, supply, and distribution points to current customers constitute the current place of use for the purposes of this Agreement.
- c. Approval of Change in Place of Use. The City of Edgerton shall inform the Director of any intention to sell any water under this contract to any person or entity located outside the geographical limits described above. Whenever the City of Edgerton shall propose to enter into a contract to sell water purchased under this contract to any such person or entity outside the described geographical limits the City of Edgerton shall, before execution thereof,

submit a copy of such contract to the Authority for review. The City of Edgerton agrees not to execute and enter into any such contracts unless approved by the Authority.

ARTICLE 9. BILLING AND PAYMENT SCHEDULE

a. Deferment. The beginning of the payment period shall be deferred for a period of three (3) years but not to exceed three (3) years or until such time as actual use of the water contracted for commences, whichever occurs first, if in order to use the water contracted for, bonds are required to be issued, or the construction of transmission or treatment facilities is required.

b. Payments. The City of Edgerton shall transmit all payments due hereunder to the Director as provided in Article 9(k) or as the City of Edgerton may thereafter be directed, in writing, by the Director. Remittance for minimum payments shall be paid to the Director in either one annual payment within thirty (30) days after date of billing by the State or in equal monthly installments during the calendar year in which the minimum payment is due, whether or not raw water is withdrawn during the calendar year. Remittance for payments due for raw water used in excess of the quantity obligated by the minimum payment shall be paid to the Director in full within thirty (30) days after date of billing by the State.

c. Determination of Charges. Charges for water for which payment is required shall be determined by the State in accordance with K.S.A. 82a-1308(a) and subsequent amendments thereto. The formulas by which charges are computed shall be prepared by the Director with the approval of the Authority. The City of Edgerton acknowledges and agrees that said formulas and computations are subject to change, based on subsequent amendments to State statutes which may affect the terms of this contract.

d. Water Subject to Payment. The City of Edgerton shall pay as specified in this contract for all water received under terms of this contract up to the maximum quantity obligated by this contract (200 million gallons per year). In no event shall the City of Edgerton be permitted to withdraw in any one year more than the maximum of 200 million gallons per year.

e. Initial Minimum Payment. Except as provided in Article 9(a), the initial minimum payment shall become due on the day of execution of this contract as defined in Article 2. Remittance for the initial minimum payment shall be in accordance with Article 9(b). The initial minimum charge shall be prorated by the number of months or portions thereof in service during the calendar year. Payment of the initial minimum charge shall entitle the City of Edgerton to receive during the remaining portion of the calendar year the prorated portion of the one-half (1/2) of the maximum annual quantity of water as set forth in the attached graduated use schedule, without additional charge.

f. Subsequent Minimum Payments. On each succeeding January 1 following the due date of the initial minimum payment, subsequent minimum payments shall become due. Remittance for minimum payments shall be in accordance with Article 9(b). Payment of the minimum payment shall entitle the City of Edgerton to receive during the calendar year, without additional charge, one-half (1/2) of the maximum annual quantity obligated under terms of this contract.

g. Water in Excess of Minimum. At the end of each calendar year throughout the term of this contract or within thirty (30) days after the end of each calendar year, the State shall bill the City of Edgerton for any water used during the calendar year in excess of one-half (1/2) of the total annual quantity of water in excess of the amount of water used to compute the minimum charge. The City of Edgerton shall be given credit for the proportionate share of the

payment which was made as an interest charge on the net amount of monies advanced from the State General Fund for the costs incurred and associated with providing fifty (50) percent of the total annual amount of water contracted for purchase during that calendar year as provided in the attached graduated use schedule.

h. Overpayment or Underpayment. If for reason of error in computation, measuring device malfunction, or other causes, there is an overpayment or underpayment to the State by the City of Edgerton of the charges provided herein, such overpayment shall be reimbursed or underpayment shall be billed, as the case may be. The State shall notify the City of Edgerton thereof in writing. However, all charges made in any year shall be conclusively presumed to be correct six (6) months after the end of such year.

i. Adjustment for Apportionment. In the event the City of Edgerton is unable in any year due to an apportionment under Article 13 herein to withdraw the amount which the City of Edgerton is entitled to receive after payment of the minimum payment, the amount of such minimum payment in excess of the amount of water actually received by City of Edgerton shall be credited to reduce the obligation of the City of Edgerton during the next succeeding calendar year.

j. Overdue Payments. If the City of Edgerton shall fail to make any of the payments when due, then the overdue payments shall bear interest, compounded annually at the rate prescribed in K.S.A. 82a-1317, and amendments thereto, during the term of this contract. This shall not be construed as giving the City of Edgerton the option of either making payments when due or paying interest, nor shall it be construed as waiving any of the rights of the State that might result from such default by the City of Edgerton.

k. Payments. Any payments due and payable to the Kansas Water Office under the terms of this contract shall be sent to:

Kansas Water Office
Attention: Accounts Payable/Water Marketing
901 South Kansas Avenue
Topeka, KS 66612-1249

ARTICLE 10. POINT OF WITHDRAWAL

The point of withdrawal from Hillsdale Reservoir shall be in the Southwest Quarter of the Southeast Quarter of the Northeast Quarter (SW $\frac{1}{4}$ of the SE $\frac{1}{4}$ of the NE $\frac{1}{4}$) of Section 7, Township 16 South, Range 23 East, Miami County, Kansas.

ARTICLE 11. METERING OF WATER

a. The City of Edgerton shall, at its own expense, furnish, install, operate, and maintain at the connection facilities with Johnson County Rural Water District No. 7, a commercial measuring device as ordered by the Director.

b. The City of Edgerton shall test and calibrate as accurately as possible such measuring device or devices upon installation and thereafter as necessary or whenever requested by the Director, but not more frequently than once every twelve (12) months. A measuring device registering not more than two percent (2%) above or below the certified test meter shall be deemed to be accurate. Certification of measuring devices shall be obtained from a commercial testing company approved by the Director.

c. The previous readings of any measuring device disclosed by test to be inaccurate shall be corrected for the three (3) months previous to such test or one-half ($\frac{1}{2}$) the period since the last test, whichever is shorter, in accordance with the percentage of inaccuracy found by such tests.

d. If any measuring device fails to register for any period, the amount of water furnished during such period shall be determined by the Director, after consultation with the City of Edgerton.

e. The City of Edgerton shall read the measuring device at the connection facilities on or before the last calendar day of each month, and shall send such reading to the Director within ten (10) days after it has been taken.

f. The City of Edgerton shall provide to the State monthly reports of all water withdrawn from any sources under authority of City of Edgerton-held water use permits or water appropriation rights having priority dates after May 24, 1974. Representatives of the State shall, at all reasonable times, have access to the measuring device for the purpose of verifying all readings.

g. The State may measure withdrawals by other suitable means to verify the accuracy of the City of Edgerton's measuring device or to measure the amount of water furnished when the City of Edgerton's measuring device fails to register.

ARTICLE 12. WATER WITHDRAWAL

The City of Edgerton shall notify the Director in writing, of the date for the initial withdrawal of water at least forty-five (45) days prior to such withdrawal. At such time, the City of Edgerton shall also notify the Director, in writing, of the amounts, times, and rates of withdrawal of water required during the remainder of the calendar year in which such initial withdrawal is made. In no event, during the term of this contract, shall the City of Edgerton withdraw water in excess of the maximum daily rate of 1.1 million gallons.

ARTICLE 13. CONTINUITY OF WATER SERVICE

a. The Director shall make all reasonable efforts to perfect and protect the water reservation right necessary for the satisfaction of the water supply commitment. In the event it becomes necessary for any reason to apportion the water among the persons having contracts, therefore, or to temporarily discontinue the furnishing of water to such persons, the Director will give each person an oral notice, followed by a written notice, of such action as far in advance as is reasonably practicable.

b. Neither the Director nor the Authority shall be responsible or have any legal liability for any insufficiency of water or the apportionment thereof, and the duty of the Director and the Authority to furnish water is specifically subject to the following conditions:

(1) If the total amount of water contracted for withdrawal by all purchasers from Hillsdale Reservoir in the year is greater than the supply available from the conservation water supply storage in Hillsdale Reservoir, the Director, with the approval of the Authority, will apportion the available water among all the purchasers having contracts therefore, as may best provide for the health, safety, and general welfare of the people of this State as determined by the Authority.

(2) The Director shall evaluate the effect of sediment deposits in Hillsdale Reservoir and, if such evaluation indicates that the sediment deposits have reduced the yield from the State's conservation water supply storage space, the Director will apportion available water among the persons having contracts in relation to the annual volume of water contracted.

(3) If the United States temporarily discontinues or reduces water storage available to the State in Hillsdale Reservoir under the State's agreement with the United

States for the purpose of inspection, investigation, maintenance, repair, or rehabilitation of Hillsdale Reservoir or for other reasons deemed necessary by the United States, the Director will apportion the available water among the persons having contracts as determined by the State.

(4) If, because of an emergency, the Director deems it necessary for the health, safety, and general welfare of the people of Kansas to reduce or terminate the withdrawal of water from Hillsdale Reservoir, the Director, with the approval of the Authority, will apportion any available water among the persons having contracts therefore as may best provide for the health, safety, and general welfare of the people of Kansas.

c. In the event the Director finds it necessary to apportion the available water from Hillsdale Reservoir among the persons having contracts therefore, and such apportionment results in the City of Edgerton being unable during the year to receive the amount of water that has been purchased by payment of the minimum charge, the City of Edgerton shall pay the State only for the amount of water actually made available to the City of Edgerton during the year.

ARTICLE 14. LIABILITY

a. The parties herein acknowledge that this contract is for raw water from the water supply storage at Hillsdale Reservoir. The State of Kansas, the Kansas Water Office, the Director, the Authority, or any employee, agent, or agency of the State of Kansas, makes no guarantee for nor assumes any liability for any claim arising out of the control, carriage, handling, use, disposal, or distribution of water furnished to the City of Edgerton beyond the point of withdrawal from Hillsdale Reservoir by the City of Edgerton as described in this contract except as provided in the Kansas Tort Claims Act, K.S.A. 1982 Supp. 75-6101 et seq.,

and amendments thereto; and the City of Edgerton shall hold the State harmless on account of damage or claim of damage of any nature whatsoever arising out of or connected with the control, carriage, handling, use, disposal, or distribution of water beyond the point of withdrawal. Nothing in this Article shall be construed to impair any protection of the rights of the City of Edgerton as set forth in Article 6.

b. In addition, neither the Director of the Kansas Water Office nor the Kansas Water Authority shall be liable for any claim arising out of the quality of water in Hillsdale Reservoir to the point of diversion. The City of Edgerton shall hold the State, its agencies, employees, and agents harmless from or on account of any and all damage of any nature whatsoever arising out of or connected with the quality of the water in Hillsdale Reservoir up to the point of diversion.

ARTICLE 15. AMENDMENT

The contract may be amended or voided by written agreement of the parties, as provided in K.S.A. 82a-1316, and amendments thereto. The fixed rate as stated in this contract may be subsequently adjusted on January 1 after the execution of the contract and on each January 1 thereafter, pursuant to the terms and conditions of this contract.

ARTICLE 16. ASSIGNMENT OF CONTRACT

a. The City of Edgerton may not assign, sell, convey, or transfer all or any part of this contract, or any interest therein unless and until same is approved by the Authority under such reasonable terms and conditions as the Authority may impose.

b. Whenever the assignment, sale, conveyance, or transfer of all or any part of this water purchase contract involves a change in either the place of use or the purpose of use, the Authority shall have the option to cancel the water purchase contract or any portion thereof and make the water available for purchase by persons who have filed applications in accordance with

rules and regulations for administration of the State Water Plan Storage Act, K.S.A. 82a-1301 et seq., and amendments thereto.

ARTICLE 17. RENEWALS

When this contract expires, the Director shall give the City of Edgerton the opportunity to refuse any new offering of the water before offering the same to any other applicant.

ARTICLE 18. TERMINATION

In the event the City of Edgerton is unable to obtain, construct, maintain, or operate the necessary water treatment and distribution facilities, the City of Edgerton may terminate this contract upon giving the State thirty (30) days written notice of its intent to do so, and all rights and liabilities of the City of Edgerton hereunder shall cease. Provided, however, that nothing in the Article shall be construed to affect the duty of the City of Edgerton to pay the prorated share of the minimum charge for the year in which the contract is terminated or the actual charge for the quantity of water withdrawn, whichever is greater, before notice of termination is given.

ARTICLE 19. WATER CONSERVATION PLAN

a. The City of Edgerton shall adopt and implement a water conservation plan that is consistent with the current guidelines for conservation plans and practices, developed and maintained by the Kansas Water Office. Whenever lack of inflow causes Hillsdale Reservoir elevation to fall below 914 feet mean sea level, as determined by the Kansas Water Office, a drought condition shall be considered to exist and the City of Edgerton agrees to implement the drought contingency plan contained in their water conservation plan. The Drought/Emergency Contingency portion of this plan shall include a description of how the City of Edgerton plans to allocate water to secondary users, if any, during a drought or emergency contingency.

b. For the preceding five (5) calendar years before execution of this contract and for each successive year thereafter, the City of Edgerton shall provide a complete and accurate water use report for itself and for each current or proposed secondary or tertiary user of water under this contract. The annual water use report filed with the Division of Water Resources will meet this requirement or the City of Edgerton may use forms provided by the Director.

c. Each proposed or current secondary or tertiary user of contracted water, whose five (5) year average gallons per capita per day ("gpcd") exceeds its respective regional five (5) year average gpcd by 10 percent or more at the time of contracting, or at any time during the contract period as set forth in Article 2, shall prepare and implement a water conservation plan that is consistent with the current guidelines for conservation plans and practices, developed and maintained by the Kansas Water Office.

d. Three (3) years after execution of this contract, the Director shall begin an annual monitoring of the effectiveness of water conservation plans prepared and implemented pursuant to this contract. If the City of Edgerton or any secondary or tertiary user of contractual water has a five (5) year average gpcd that exceeds its respective five (5) year regional average gpcd by twenty-five (25) percent or more, then that user shall revise its water conservation plan in a manner consistent with the guidelines for conservation plans and practices that are maintained by the Kansas Water Office at that time. The revised water conservation plan shall include additional water conservation measures that are designed to reduce the user's gpcd.

e. Each proposed or current secondary or tertiary user of water under this contract shall provide the Director with a letter prior to execution of this contract indicating their support of the water conservation requirements contained in Article 19 of this contract in order to be eligible to receive any water provided under this contract.

ARTICLE 20. MISCELLANEOUS PROVISIONS

a. Severability. In the event any provisions of this agreement, or any part of any provision of this agreement, are held invalid by a court of competent jurisdiction, such invalidity shall not affect other terms hereof which can be given effect without the invalid provision or portion of such provision, and to that end the terms of this agreement are intended to be severable.

b. Choice of Law, Jurisdiction, and Venue. Disputes arising out of this contract shall be determined under the laws of the State of Kansas, in the district courts of that state, sitting in Shawnee County, Kansas.

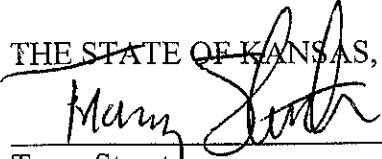
c. Kansas Contract Provisions Attachment. The provisions found in contractual provisions attachment (Form DA-146a -- Attachment A), which is attached hereto, are hereby incorporated in this contract and made a part thereof by reference herein.

d. Tax Clearances. Per K.S.A. 75-3740-3(c), the Director may confirm the tax status of any purchaser who is in arrears on taxes due the State of Kansas with the Division of Purchases prior to the approval and signing of this contract if necessary for the purposes of this contract. The State reserves the right to allow a purchaser an opportunity to clear its tax status within ten (10) calendar days if it is determined by the Division of Purchases to be in the best interest of the State.

e. Headings. Headings used in this agreement are informational and not to be considered persuasive or determinative of any clause or matter in dispute.

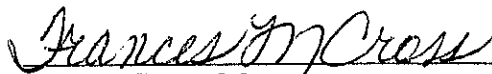
IN WITNESS WHEREOF, the parties aver and acknowledge the terms and conditions agreed to above, aver that they have the authority to bind the parties by their signatures to the same, and hereto have executed this agreement as of the day and year first above written.

THE STATE OF KANSAS, BY:



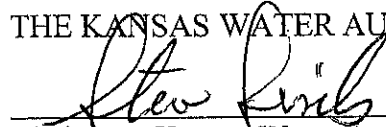
Tracy Streeter
Director, Kansas Water Office

CITY OF EDGERTON, BY:



Frances Cross, Mayor
City of Edgerton

WITH THE EXPRESS APPROVAL OF
THE KANSAS WATER AUTHORITY, BY:



Chairman, Kansas Water Authority

CONTRACTUAL PROVISIONS ATTACHMENT A

Important: This form contains mandatory contract provisions and must be attached to or incorporated in all copies of any contractual agreement. If it is attached to the vendor/contractor's standard contract form, then that form must be altered to contain the following provision:

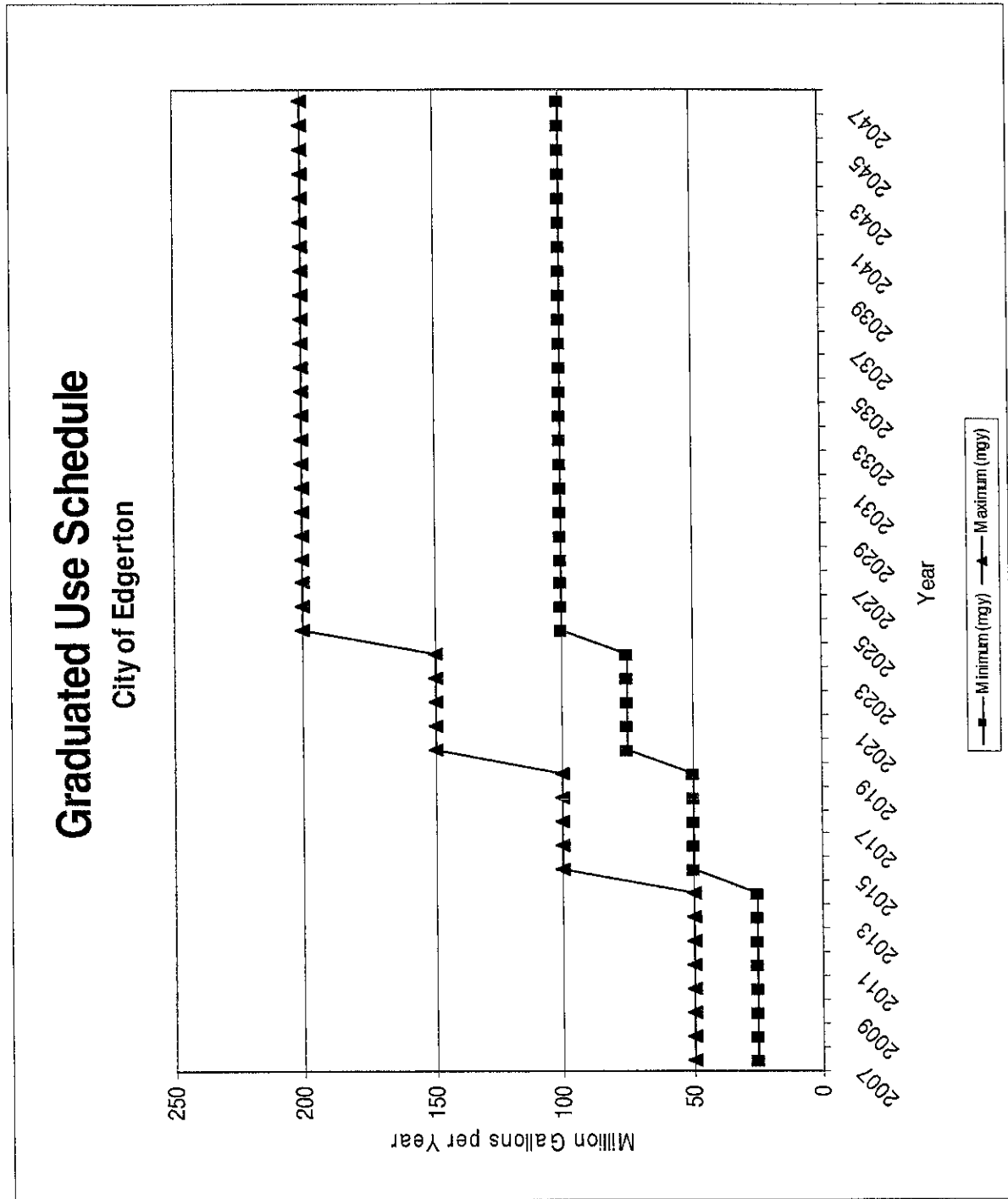
"The Provisions found in Contractual Provisions Attachment (Form DA-146a, Rev. 1-01), which is attached hereto, are hereby incorporated in this contract and made a part thereof."

The parties agree that the following provisions are hereby incorporated into the contract to which it is attached and made a part thereof, said contract being the 17th day of November, 2006.

1. **Terms Herein Controlling Provisions:** It is expressly agreed that the terms of each and every provision in this attachment shall prevail and control over the terms of any other conflicting provision in any other document relating to and a part of the contract in which this attachment is incorporated.
2. **Agreement With Kansas Law:** All contractual agreements shall be subject to, governed by, and construed according to the laws of the State of Kansas.
3. **Termination Due To Lack Of Funding Appropriation:** If, in the judgment of the Director of Accounts and Reports, Department of Administration, sufficient funds are not appropriated to continue the function performed in this agreement and for the payment of the charges hereunder, State may terminate this agreement at the end of its current fiscal year. State agrees to give written notice of termination to contractor at least 30 days prior to the end of its current fiscal year, and shall give such notice for a greater period prior to the end of such fiscal year as may be provided in this contract, except that such notice shall not be required prior to 90 days before the end of such fiscal year. Contractor shall have the right, at the end of such fiscal year, to take possession of any equipment provided State under the contract. State will pay to the contractor all regular contractual payments incurred through the end of such fiscal year, plus contractual charges incidental to the return of any such equipment. Upon termination of the agreement by State, title to any such equipment shall revert to contractor at the end of State's current fiscal year. The termination of the contract pursuant to this paragraph shall not cause any penalty to be charged to the agency or the contractor.
4. **Disclaimer Of Liability:** Neither the State of Kansas nor any agency thereof shall hold harmless or indemnify any contractor beyond that liability incurred under the Kansas Tort Claims Act (K.S.A. 75-6101 et seq.).
5. **Anti-Discrimination Clause:** The contractor agrees: (a) to comply with the Kansas Act Against Discrimination (K.S.A. 44-1001 et seq.) and the Kansas Age Discrimination in Employment Act (K.S.A. 44-1111 et seq.) and the applicable provisions of the Americans With Disabilities Act (42 U.S.C. 12101 et seq.) (ADA) and to not discriminate against any person because of race, religion, color, sex, disability, national origin or ancestry, or age in the admission or access to, or treatment or employment in, its programs or activities; (b) to include in all solicitations or advertisements for employees, the phrase "equal opportunity employer"; (c) to comply with the reporting requirements set out at K.S.A. 44-1031 and K.S.A. 44-1116; (d) to include those provisions in every subcontract or purchase order so that they are binding upon such subcontractor or vendor; (e) that a failure to comply with the reporting requirements of (c) above or if the contractor is found guilty of any violation of such acts by the Kansas Human Rights Commission, such violation shall constitute a breach of contract and the contract may be cancelled, terminated or suspended, in whole or in part, by the contracting state agency or the Kansas Department of Administration; (f) if it is determined that the contractor has violated applicable provisions of ADA, such violation shall constitute a breach of contract and the contract may be cancelled, terminated or suspended, in whole or in part, by the contracting state agency or the Kansas Department of Administration.

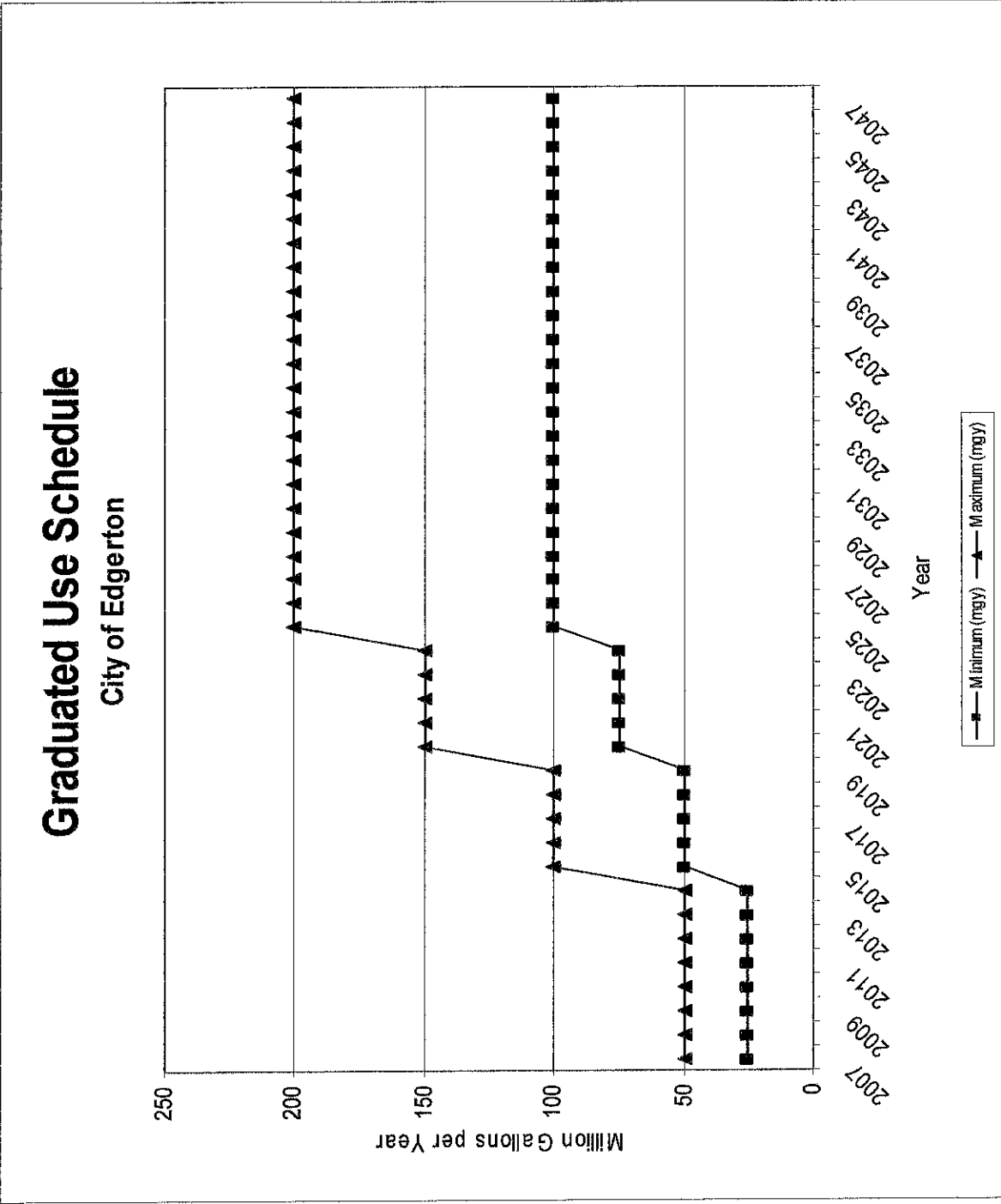
Parties to this contract understand that the provisions of this paragraph number 5 (with the exception of those provisions relating to the ADA) are not applicable to a contractor who employs fewer than four employees during the term of such contract or whose contracts with the contracting state agency cumulatively total \$5,000 or less during the fiscal year of such agency.
6. **Acceptance Of Contract:** This contract shall not be considered accepted, approved or otherwise effective until the statutorily required approvals and certifications have been given.
7. **Arbitration, Damages, Warranties:** Notwithstanding any language to the contrary, no interpretation shall be allowed to find the State or any agency thereof has agreed to binding arbitration, or the payment of damages or penalties upon the occurrence of a contingency. Further, the State of Kansas shall not agree to pay attorney fees and late payment charges beyond those available under the Kansas Prompt Payment Act (K.S.A. 75-6403), and no provision will be given effect which attempts to exclude, modify, disclaim or otherwise attempt to limit implied warranties of merchantability and fitness for a particular purpose.
8. **Representative's Authority To Contract:** By signing this contract, the representative of the contractor thereby represents that such person is duly authorized by the contractor to execute this contract on behalf of the contractor and that the contractor agrees to be bound by the provisions thereof.
9. **Responsibility For Taxes:** The State of Kansas shall not be responsible for, nor indemnify a contractor for, any federal, state or local taxes which may be imposed or levied upon the subject matter of this contract.
10. **Insurance:** The State of Kansas shall not be required to purchase, any insurance against loss or damage to any personal property to which this contract relates, nor shall this contract require the State to establish a "self-insurance" fund to protect against any such loss or damage. Subject to the provisions of the Kansas Tort Claims Act (K.S.A. 75-6101 et seq.), the vendor or lessor shall bear the risk of any loss or damage to any personal property in which vendor or lessor holds title.
11. **Information:** No provision of this contract shall be construed as limiting the Legislative Division of Post Audit from having access to information pursuant to K.S.A. 46-1101 et seq.
12. **The Eleventh Amendment:** "The Eleventh Amendment is an inherent and incumbent protection with the State of Kansas and need not be reserved, but prudence requires the State to reiterate that nothing related to this contract shall be deemed a waiver of the Eleventh Amendment."

ATTACHMENT B



Graduated Use Schedule		
City of Edgerton		
Year	Minimum (mg)	Maximum (mg)
2007	25	50
2008	25	50
2009	25	50
2010	25	50
2011	25	50
2012	25	50
2013	25	50
2014	25	50
2015	50	100
2016	50	100
2017	50	100
2018	50	100
2019	50	100
2020	75	150
2021	75	150
2022	75	150
2023	75	150
2024	75	150
2025	100	200
2026	100	200
2027	100	200
2028	100	200
2029	100	200
2030	100	200
2031	100	200
2032	100	200
2033	100	200
2034	100	200
2035	100	200
2036	100	200
2037	100	200
2038	100	200
2039	100	200
2040	100	200
2041	100	200
2042	100	200
2043	100	200
2044	100	200
2045	100	200
2046	100	200
2047	100	200

ATTACHMENT B



Graduated Use Schedule			
City of Edgerton			
Year	Minimum (mgd)	Maximum (mgd)	
2007	25	50	
2008	25	50	
2009	25	50	
2010	25	50	
2011	25	50	
2012	25	50	
2013	25	50	
2014	25	50	
2015	50	100	
2016	50	100	
2017	50	100	
2018	50	100	
2019	50	100	
2020	75	150	
2021	75	150	
2022	75	150	
2023	75	150	
2024	75	150	
2025	100	200	
2026	100	200	
2027	100	200	
2028	100	200	
2029	100	200	
2030	100	200	
2031	100	200	
2032	100	200	
2033	100	200	
2034	100	200	
2035	100	200	
2036	100	200	
2037	100	200	
2038	100	200	
2039	100	200	
2040	100	200	
2041	100	200	
2042	100	200	
2043	100	200	
2044	100	200	
2045	100	200	
2046	100	200	
2047	100	200	

COPY

STATE OF KANSAS
Kansas Water Office

CONTRACT
Between the State of Kansas
and
Hillsdale Area Water Cooperative

For Municipal Water Supply
from
Hillsdale Lake

Water Purchase Contract Number 13-1

TABLE OF CONTENTS

ARTICLE 1. DEFINITIONS.....	Page 3
ARTICLE 2. TERM OF THE CONTRACT	Page 3
ARTICLE 3....LEGISLATIVE DISAPPROVAL AND REVOCATION	Page 3
ARTICLE 4. UNITED STATES APPROVAL.....	Page 3
ARTICLE 5. COMPLIANCE WITH KANSAS STATUTES	Page 4
ARTICLE 6. QUANTITY OF WATER.....	Page 4
ARTICLE 7. PRICE OF WATER.....	Page 5
ARTICLE 8. PURPOSE AND PLACE OF USE	Page 6
ARTICLE 9. BILLING AND PAYMENT SCHEDULE.....	Page 7
ARTICLE 10. POINT OF WITHDRAWAL.....	Page 9
ARTICLE 11. METERING OF WATER.....	Page 9
ARTICLE 12. WATER WITHDRAWAL	Page 10
ARTICLE 13. CONTINUITY OF WATER SERVICE.....	Page 10
ARTICLE 14. LIABILITY	Page 11
ARTICLE 15. AMENDMENT.....	Page 12
ARTICLE 16. EXISTING CONTRACTS AND APPLICATIONS BY HAWC MEMBERS	Page 12
ARTICLE 17. ASSIGNMENT OF CONTRACT	Page 14
ARTICLE 18. RENEWALS.....	Page 14
ARTICLE 19..TERMINATION.....	Page 14
ARTICLE 20. WATER CONSERVATION PLAN.....	Page 14
ARTICLE 21..MISCELLANEOUS PROVISIONS.....	Page 15
APPENDIX A. GRADUATED USE SCHEDULE.....	Page 17
APPENDIX B. FOUNDING MEMBERS OF HAWC	Page 18
APPENDIX C. POINTS OF WITHDRAWAL	Page 19

KANSAS WATER OFFICE
WATER PURCHASE CONTRACT NO. 13-1

COPY

This contract is entered into effective January 1, 2013, by and between the State of Kansas (hereinafter referred to as the "State") as represented by the Kansas Water Office, an authorized agency to enter such contracts for the State of Kansas, and the Hillsdale Area Water Cooperative (HAWC), (hereinafter referred to as "HAWC").

WHEREAS, the State has signed an Agreement (Contract No. DACW41-74-C-0098) with the United States of America under the provisions of the Water Supply Act of 1958 (Title III, P.L. 85-500), as amended, for water supply storage space in Hillsdale Lake; and

WHEREAS, the State has filed an appropriate water reservation right on May 24, 1974, to divert and store water in Hillsdale Lake; and

WHEREAS, the Director of the Kansas Water Office is authorized by K.S.A. 74-2615, as amended, and by K.S.A. 82a-1305, as amended, to negotiate contracts for the sale of water from Hillsdale Lake; and

WHEREAS, the HAWC is an entity formed under the Interlocal Cooperation Act, K.S.A. 12-2901 *et seq.*; and

WHEREAS, the Interlocal Cooperation Act, K.S.A. 12-2901 *et seq.*, permits local governmental units to make the most efficient use of their powers by enabling them to cooperate with other localities, persons, associations and corporations on a basis of mutual advantage and thereby to provide services and facilities in a manner and pursuant to forms of governmental organization that will accord best with geographic, economic, population and other factors influencing the needs and development of local communities; and

WHEREAS, HAWC is an organization resulting from an Interlocal Cooperation Agreement duly created and existing under the laws of the State of Kansas pursuant to K.S.A. § 12-2904, *et seq.* The founding members of HAWC are:

1. City of Edgerton;
2. City of Gardner;
3. City of Spring Hill;
4. Franklin County Rural Water District No. 1;
5. Johnson County Rural Water District No. 7;

6. Miami County Rural Water District No. 1;
7. Miami County Rural Water District No. 2;
8. City of Wellsville; and
9. Miami County Rural Water District No. 4;

The membership of HAWC is subject to change pursuant to the terms of the Interlocal Agreement; and

WHEREAS, the members of HAWC all have an interest in receiving a raw water supply from Hillsdale Lake in Miami County, Kansas, either directly or indirectly for use by their municipal water systems for municipal and industrial purposes; and

WHEREAS, the Director of Kansas Water Office has determined that the goals and objectives of the HAWC are appropriate to the goals and objectives of the Water Marketing Program of the Kansas Water Office and approves entering into a contract with HAWC; and

WHEREAS, HAWC filed an appropriate application on April 25, 2011, with the State to negotiate a long-term water marketing contract for the purchase of raw water from Hillsdale Lake, in compliance with the State Water Plan Storage Act, K.S.A. 82a-1301 et seq., as amended; and

WHEREAS, HAWC requested permission to negotiate on April 25, 2011; and

WHEREAS, the Kansas Water Authority granted permission to the Director on May 18, 2011 to enter into negotiations; and

WHEREAS, HAWC's immediate and projected water supply needs can be provided from Hillsdale Lake; and

WHEREAS, the withdrawal and use of 5 billion 308 million 560 thousand gallons of water annually from Hillsdale Lake by HAWC is in the interest of the people of the State of Kansas and will advance the purposes set forth in Article 9 of Chapter 82a of Kansas Statutes Annotated; and

WHEREAS, HAWC's application number 216 to purchase raw water from Hillsdale Lake is approved for a maximum total amount of 5 billion 308 million 560 thousand per year in accordance with Articles 9 and 13 of Chapter 82a of Kansas Statutes Annotated.

NOW, THEREFORE, in consideration of the foregoing, the parties mutually agree as follows:

ARTICLE 1. DEFINITIONS

As used in this contract, unless the context otherwise requires:

- a. "Authority" means the Kansas Water Authority, or its successor.
- b. "Director" means the Director of the Kansas Water Office, his or her successor, or designated representative.
- c. "Point of withdrawal from the reservoir" means the point at which water is taken from the reservoir by pump, siphon, canal, or any other device; or released through the dam by gates, conduits, or any other means.
- d. "Raw water" refers to untreated water at the point of withdrawal from the reservoir.

ARTICLE 2. TERM OF THE CONTRACT

The term of this contract shall be for a period of forty (40) years beginning on the date of execution of this contract. HAWC may commence using water at any time after the execution of this contract by providing notice as provided in Article 12.

ARTICLE 3. LEGISLATIVE DISAPPROVAL AND REVOCATION

This contract, any amendment hereto, or renewal thereof is subject to disapproval and revocation by the Kansas Legislature as provided in K.S.A. 82a-1307, and amendments thereto.

ARTICLE 4. UNITED STATES APPROVAL

- a. HAWC shall secure the right from the federal government to construct, modify, alter, or maintain installations and facilities as HAWC shall deem necessary to effectuate the terms of this contract when such installations and facilities are on federal lands. HAWC shall bear any and all costs of construction, modification, operation, and maintenance of Purchaser-owned, leased, or constructed installations and facilities.
- b. HAWC shall provide the Director with proof of any easement or permit granted by the federal government for rights-of-way across, in, and upon federal government land required for intake, transmission of water, and necessary appurtenances by and for the benefit of HAWC for the purposes of this contract.

ARTICLE 5. COMPLIANCE WITH KANSAS STATUTES

This contract is subject to such federal and state statutes as may be applicable, including specifically, but not by way of limitation, the State Water Planning Act, K.S.A. 82a-901 et seq., and amendments thereto; the State Water Plan, K.S.A. 82a-927 et seq., and amendments thereto; and the State Water Plan Storage Act, K.S.A. 82a-1301 et seq., and amendments thereto; and HAWC agrees to comply with such applicable statutes and any amendments to said statutes which may be enacted subsequent to the execution of this contract.

ARTICLE 6. QUANTITY OF WATER

a. Initial Quantity. During the term of this contract, defined in Article 2, subject to the conditions herein stated, the State will permit HAWC to withdraw 5 billion 308 million 560 thousand gallons in any one calendar year. If HAWC in any calendar year does not withdraw the entire annual raw water amount obligated under terms of this contract, the unused amount of water shall not add to HAWC's entitlement in any subsequent year.

b. Graduated Use Schedule. An agreed upon graduated use schedule, attached as Appendix A, is incorporated herein by reference. The maximum annual quantity of water the Purchaser is entitled to use or purchase for each calendar year shall be determined by the graduated use schedule. The minimum annual payment shall be calculated as provided in Article 7 based upon fifty (50) percent of the maximum annual quantity in the graduated use schedule each year. The Director may review and adjust the graduated use schedule depending on actual usage.

c. Review and Adjustment. The Director may review and adjust the quantity and purposes for which water is used on the sixth anniversary of the execution of this contract and on each annual anniversary for the remaining portion of the term of this contract if HAWC does not provide full payment for the water under contract and another water user is ready, willing, and able to contract for such water.

d. Water Appropriation Rights. Any rights under the Kansas Water Appropriation Act, K.S.A. 82a-701 et seq., and amendments thereto, acquired by HAWC and having priority dates later than May 24, 1974, shall not be used by HAWC in lieu of any quantity of raw water obligated under terms of this contract. Any water received under authority of such water appropriation rights shall not be counted against HAWC's annual

water entitlement under this contract even though HAWC may have to pay the State as if the water had been received under this contract as provided in Article 9.

HAWC may use water withdrawn in accordance with the terms of this contract without obtaining a permit or water right under the Kansas Water Appropriation Act. Rights of HAWC under this contract shall be entitled to the same protection as any other vested property interest including vested water rights, water appropriation rights, and approved applications for permit to appropriate water.

e. Effect of Miami County Rural Water District No. 2 Contract No. 81-1. The parties acknowledge the existence of a fixed rate contract between Rural Water District No. 2, Miami County, Kansas, as Purchaser, and the State of Kansas, as Seller, for water and storage in Hillsdale Lake. That contract is described in detail in Article 16, below. The maximum quantity of water to which HAWC is entitled to withdraw provided in paragraph 6. a., above, does not contain any quantity of water authorized under Contract No. 81-1 (hereinafter "Contract No. 81-1). The graduated use schedule contained in Appendix A, attached, providing for the maximum annual quantity of water that HAWC is entitled to use or purchase for each calendar year likewise does not include that maximum quantity of water authorized under Contract No. 81-1.

ARTICLE 7. PRICE OF WATER

a. Price. HAWC agrees to pay the State at the rate set in accordance with K.S.A. 82a-1308(a), and amendments thereto, for each one thousand (1,000) gallons of raw water used or raw water which must be paid for under terms of this contract throughout the term of this contract; provided, however, that HAWC is obligated and agrees to pay the minimum charges in accordance with this Article regardless of the quantity of raw water actually used, except as provided in Article 13. The rate for raw water which must be paid for under terms of this contract shall be \$0.372 for each one thousand (1,000) gallons during calendar year 2013.

b. Minimum Charge. HAWC agrees to pay to the State a minimum charge whether or not water is withdrawn during the calendar year. The minimum charge for each calendar year shall be determined as provided in K.S.A. 82a-1306(2), and amendments thereto. The minimum charge for calendar year 2013 and each succeeding calendar year, unless changed by amendment of State statutes, shall be the sum of the following two components:

(1) fifty (50) percent of the total amount of water contracted for the year as determined by the graduated use schedule, Appendix A, multiplied by the rate established in accordance with paragraph (a) of this Article or as adjusted in accordance with paragraph (c) of this Article; and

(2) a charge on the remaining fifty (50) percent of water contracted for during the year computed by multiplying the net amount of moneys advanced from state funds for costs incurred and associated with that portion of the conservation storage water supply under the State Water Marketing Program by the average rate of interest earned during the past calendar year by the Pooled Money Investment Board on thirty (30) day repurchase agreements and by the portion of the remaining fifty (50) percent under contract to the total conservation water supply capacity available under the State Water Marketing Program.

c. Review and Adjustment of Rates. The Director shall review the rate stated in this Article by July 15 of each year during the term of this contract and may adjust the rate effective January 1 of the following year. Such adjusted rate shall be charged for all water used or water which must be paid for under terms of this contract as provided in Article 9. The Director shall notify HAWC by July 31 of each year of the adjusted rate which will become effective on January 1 of the ensuing year. Failure to furnish such notification by July 31 shall not relieve HAWC of the obligation to pay such adjusted rate.

ARTICLE 8. PURPOSE AND PLACE OF USE

a. Purpose. Water purchased under this contract shall be used for purposes which are stated in the preamble of this contract.

b. Place of Use. The place of use for water purchased under this contract shall be within the legal boundaries of the members of HAWC and their customers, as defined in the Interlocal Agreement and as provided in Appendix B, as it may be amended from time to time, and Appendix B is incorporated by reference herein.

c. Approval of Change in Place of Use. HAWC shall inform the Director of any intention to sell any water under this contract to any person or entity located outside the geographical limits described above. Whenever HAWC shall propose to enter into a contract to sell water purchased under this contract to any such person or entity outside the described geographical limits, HAWC shall, before execution thereof, submit a copy

of such contract to the Authority for review. The parties acknowledge the current contract obligations of the HAWC membership. This term shall apply to any future contracts for over four (4) million gallons per month.

ARTICLE 9. BILLING AND PAYMENT SCHEDULE

a. Payments. HAWC shall transmit all payments due hereunder to the Director as provided in Article 9(j) or as HAWC may thereafter be directed, in writing, by the Director. Remittance for minimum payments shall be paid to the Director in either one annual payment within thirty (30) days after date of billing by the State or in equal monthly installments during the calendar year in which the minimum payment is due, whether or not water is withdrawn during the calendar year. Remittance for payments due for raw water used in excess of the quantity obligated by the minimum payment shall be paid to the Director in full within thirty (30) days after date of billing by the State.

b. Determination of Charges. Charges for water for which payment is required shall be determined by the State in accordance with K.S.A. 82a-1308(a) and subsequent amendments thereto. HAWC acknowledges and agrees that rate computations are subject to change, based on subsequent amendments to State statutes which may affect the terms of this contract.

c. Water Subject to Payment. HAWC shall pay as specified in this contract for all water received under terms of this contract up to the maximum quantity obligated by this contract (5 billion 308 million 560 thousand gallons per year). In no event shall HAWC be permitted to withdraw in any one year more than the maximum of 5 billion 308 million 560 thousand gallons per year.

d. Initial Minimum Payment. The initial minimum payment shall become due on or before January 1, 2013. Remittance for the initial minimum payment shall be in accordance with Article 9(a). Payment of the initial minimum charge shall entitle HAWC to receive up to one-half (1/2) of the maximum annual quantity of water in 2013 as set forth in Article 6, without additional charge.

e. Subsequent Minimum Payments. On each succeeding January 1 following the due date of the initial minimum payment, subsequent minimum payments shall become due. Remittance for minimum payments shall be in accordance with Article 9(a). Payment of the minimum payment shall entitle HAWC to

receive during the calendar year, without additional charge, one-half (1/2) of the maximum annual quantity obligated under terms of this contract.

f. Water in Excess of Minimum. At the end of each calendar year throughout the term of this contract or within thirty (30) days after the end of each calendar year, the State shall bill HAWC for any water used during the calendar year in excess of one-half (1/2) of the total annual quantity of water used to compute the minimum charge. HAWC shall be given credit for the proportionate share of the payment which was made as an interest charge on the net amount of monies advanced from the State General Fund for the costs incurred and associated with providing fifty (50) percent of the total annual amount of water contracted for purchase during that calendar year.

g. Overpayment or Underpayment. If for reason of error in computation, measuring device malfunction, or other causes, there is an overpayment or underpayment to the State by HAWC of the charges provided herein, such overpayment shall be reimbursed or underpayment shall be billed, as the case may be. The State shall notify HAWC thereof in writing. However, all charges made in any year shall be conclusively presumed to be correct six (6) months after the end of such year.

h. Adjustment for Apportionment. In the event HAWC is unable in any year due to an apportionment under Article 13 herein to withdraw the amount which HAWC is entitled to receive after payment of the minimum payment, the amount of such minimum payment in excess of the amount of water actually received by Purchaser shall be credited to reduce the obligation of HAWC during the next succeeding calendar year.

i. Overdue Payments. If HAWC shall fail to make any of the payments when due, then the overdue payments shall bear interest, compounded annually at the rate prescribed in K.S.A. 82a-1317, and amendments thereto, during the term of this contract. This shall not be construed as giving HAWC the option of either making payments when due or paying interest, nor shall it be construed as waiving any of the rights of the State that might result from such default by HAWC.

j. Payments. Any payments due and payable to the Kansas Water Office under the terms of this contract shall be transferred electronically under such arrangements as the purchaser and the KWO determine or shall be sent to:

Kansas Water Office
Attention: Accounts Payable/Water Marketing
901 South Kansas Avenue
Topeka, KS 66612-1249

ARTICLE 10. POINT OF WITHDRAWAL

The points of withdrawal are provided in Appendix C, as it may be amended from time to time, and Appendix C is incorporated by reference herein.

ARTICLE 11. METERING OF WATER

a. HAWC shall, at its own expense, furnish, install, operate, and maintain at the points of withdrawal, a commercial measuring device as ordered by the Director.

b. HAWC shall test and calibrate as accurately as possible such measuring device or devices upon installation and thereafter as necessary or whenever requested by the Director, but not more frequently than once every twelve (12) months. A measuring device registering not more than two percent (2%) above or below the certified test meter shall be deemed to be accurate. Certification of measuring devices shall be obtained from a commercial testing company approved by the Director.

c. The previous readings of any measuring device disclosed by test to be inaccurate shall be corrected for the three (3) months previous to such test or one-half (1/2) the period since the last test, whichever is shorter, in accordance with the percentage of inaccuracy found by such tests.

d. If any measuring device fails to register for any period, the amount of water furnished during such period shall be determined by the Director, after consultation with HAWC.

e. HAWC shall read the measuring devices on or before the last calendar day of each month, and shall send such reading to the Director within ten (10) days after it has been taken.

f. HAWC shall provide the State with monthly reports of all water withdrawn from any sources under authority of Purchaser-held water use permits or water appropriation rights having priority dates after

May 24, 1974. Representatives of the State shall, at all reasonable times, have access to the measuring device for the purpose of verifying all readings.

g. The State may measure withdrawals by other suitable means to verify the accuracy of HAWC's measuring device or to measure the amount of water furnished when HAWC's measuring device fails to register.

ARTICLE 12. WATER WITHDRAWAL

HAWC shall notify the Director in writing, of the date for the initial withdrawal of water at least forty-five (45) days prior to such withdrawal. In no event, during the term of this contract, shall HAWC withdraw water in excess of the maximum daily rate of 35 million gallons per day.

ARTICLE 13. CONTINUITY OF WATER SERVICE

a. The Director shall make all reasonable efforts to perfect and protect the water reservation right necessary for the satisfaction of the water supply commitment. In the event it becomes necessary for any reason to apportion the water among the persons having contracts, therefore, or to temporarily discontinue the furnishing of water to such persons, the Director will give each person an oral notice, followed by a written notice, of such action as far in advance as is reasonably practicable.

b. Neither the Director nor the Authority shall be responsible or have any legal liability for any insufficiency of water or the apportionment thereof, and the duty of the Director and the Authority to furnish water is specifically subject to the following conditions:

(1) If the total amount of water contracted for withdrawal by all purchasers from Hillsdale Lake in the year is greater than the supply available from the conservation water supply storage in Hillsdale Lake, the Director, with the approval of the Authority, will apportion the available water among all the purchasers having contracts therefore, as may best provide for the health, safety, and general welfare of the people of this State as determined by the Authority.

(2) The Director shall evaluate the effect of sediment deposits in Hillsdale Lake and, if such evaluation indicates that the sediment deposits have reduced the yield from the State's conservation water

supply storage space, the Director will apportion available water among the persons having contracts in relation to the annual volume of water contracted.

(3) If the United States temporarily discontinues or reduces water storage available to the State in Hillsdale Lake under the State's agreement with the United States for the purpose of inspection, investigation, maintenance, repair, or rehabilitation of Hillsdale Lake or for other reasons deemed necessary by the United States, the Director will apportion the available water among the persons having contracts as determined by the State.

(4) If, because of an emergency, the Director deems it necessary for the health, safety, and general welfare of the people of Kansas to reduce or terminate the withdrawal of water from Hillsdale Lake, the Director, with the approval of the Authority, will apportion any available water among the persons having contracts therefore as may best provide for the health, safety, and general welfare of the people of Kansas.

c. In the event the Director finds it necessary to apportion the available water from Hillsdale Lake among the persons having contracts therefore, and such apportionment results in HAWC being unable during the year to receive the amount of water that has been purchased by payment of the minimum charge, HAWC shall pay the State only for the amount of water actually made available to HAWC during the year.

ARTICLE 14. LIABILITY

a. The parties herein acknowledge that this contract is for raw water from the water supply storage at Hillsdale Lake. The State of Kansas, the Kansas Water Office, the Director, the Authority, or any employee, agent, or agency of the State of Kansas, makes no guarantee for nor assumes any liability for any claim arising out of the control, carriage, handling, use, disposal, or distribution of water furnished to HAWC beyond the point of withdrawal from Hillsdale Lake by HAWC as described in this contract except as provided in the Kansas Tort Claims Act, K.S.A. 1982 Supplement 75-6101 et seq., and amendments thereto; and HAWC shall hold the State harmless on account of damage or claim of damage of any nature whatsoever arising out of or connected with the control, carriage, handling, use, disposal, or distribution of water beyond the point of withdrawal. Nothing in this Article shall be construed to impair any protection of the rights of HAWC as set forth in Article 6.

b. In addition, neither the Director of the Kansas Water Office nor the Kansas Water Authority shall be liable for any claim arising out of the quality of water in Hillsdale Lake to the points of withdrawal. HAWC shall hold the State, its agencies, employees, and agents harmless from or on account of any and all damage of any nature whatsoever arising out of or connected with the quality of the water in Hillsdale Lake up to the points of withdrawal.

ARTICLE 15. AMENDMENT

The contract may be amended or voided by written agreement of the parties, as provided in K.S.A. 82a-1316, and amendments thereto. The rate as stated in this contract may be subsequently adjusted on January 1 after the execution of the contract and on each January 1 thereafter, pursuant to the terms and conditions of this contract.

ARTICLE 16. EXISTING CONTRACTS AND APPLICATIONS BY HAWC MEMBERS

a. The following members of HAWC have existing contracts with the State of Kansas for purchase of water in storage in Hillsdale Lake. Those contracts are described as follows:

PURCHASER	CONTRACT NUMBER	CONTRACT DATE	QUANTITY (Gal/Yr)
City of Edgerton	06-7	11/17/06	200,000,000
City of Gardner	96-2	10/24/96	1,155,000,000
City of Spring Hill	04-1	1/22/04	330,000,000
Franklin County Rural Water District No. 1	01-1	1/18/01	33,000,000
Johnson County Rural Water District No. 7	98-4	10/30/98	434,000,000
Miami County Rural Water District No. 1	00-3	7/13/00	10,000,000
Miami County Rural Water District No. 2 (See 16 c, infra)	81-1	10/21/81	239,440,000
Miami County Rural Water District No. 2	96-1	10/24/96	470,560,000

Except as provided in subparagraph 16c below, the parties hereto acknowledge the intent of the Purchasers described above to seek that the KWA approve the cancellation of those existing Water Purchase Contracts effective January 1, 2013.

b. The parties hereto acknowledge that as of the date of execution of this Agreement, there are the following applications made by HAWC members to the State to negotiate a long term water marketing contract with the purchase of raw water from Hillsdale Lake:

NAME	DATE OF APPLICATION
City of Edgerton	9/22/2008
City of Gardner	11/14/2005
City of Wellsville	9/1/2006
Franklin County Rural Water District No. 1	7/30/2008
Miami County Rural Water District No. 1	8/25/2000
Miami County Rural Water District No. 4	3/22/2007

COPY

The parties hereto acknowledge the intent that each Applicant described above shall withdraw its application and/or the parties shall terminate negotiations with respect to such application effective upon the execution of this Agreement.

c. Contract No. 81-1 between Rural Water District No. 2, Miami County, Kansas and the State of Kansas, is a fixed rate contract due to expire on October 21, 2023. Contract No. 81-1 shall remain in effect until it is terminated by agreement entered into between the State of Kansas and Rural Water District No. 2, Miami County, Kansas, or it expires according to its terms.

d. At such time as Contract No. 81-1 shall be terminated by the parties thereto, or it expires according to its terms, the State and HAWC may negotiate a Contract for the water previously obligated to Rural Water District No. 2, Miami County, Kansas under Contract No. 81-1, subject to any "right of first refusal" obligation to that quantity.

e. Allocation of Water to Withdrawing Member. In the event that a member shall withdraw from HAWC, the withdrawing member may be entitled to an allocation of water from the total quantity to which HAWC may be entitled pursuant to the terms of this Contract. In such event, the withdrawing member may seek to enter into a new contract with the State for a quantity of water to be supplied from Hillsdale Lake; and the State and HAWC may negotiate an amendment to this Contract accordingly. Provided, that the parties hereto acknowledge that under current law, all new contracts and amendments shall be approved by the Kansas Water Authority, and any new contract or amendment to this contract shall comply therewith and with any requirements or process then in effect.

ARTICLE 17. ASSIGNMENT OF CONTRACT

a. HAWC may not assign, sell, convey, or transfer all or any part of this contract, or any interest therein unless and until same is approved by the Authority under such reasonable terms and conditions as the Authority may impose.

b. Whenever the assignment, sale, conveyance, or transfer of all or any part of this water purchase contract involves a change in either the place of use or the purpose of use, the Authority shall have the option to cancel the water purchase contract or portion thereof and make the water available for purchase by persons who have filed applications in accordance with rules and regulations for administration of the State Water Plan Storage Act, K.S.A. 82a-1301 et seq., and amendments thereto.

ARTICLE 18. RENEWALS

When this contract expires, the Director shall give HAWC the opportunity to refuse any new offering of the water before offering the same to any other applicant.

ARTICLE 19. TERMINATION

In the event HAWC is unable to obtain, construct, maintain, or operate the necessary water treatment and distribution facilities, HAWC may terminate this contract upon giving the State thirty (30) days written notice of its intent to do so, and all rights and liabilities of HAWC hereunder shall cease. Provided, however, that nothing in the Article shall be construed to affect the duty of HAWC to pay the prorated share of the minimum charge for the year in which the contract is terminated or the actual charge for the quantity of water withdrawn, whichever is greater, before notice of termination is given.

ARTICLE 20. WATER CONSERVATION PLAN

a. HAWC and each member of HAWC shall adopt and implement a water conservation plan that is consistent with the current guidelines for conservation plans and practices, developed and maintained by the Kansas Water Office. Whenever lack of inflow causes Hillsdale Lake elevation to fall four feet below normal conservation pool, as determined by the Kansas Water Office, a drought condition shall be considered to exist and HAWC agrees to implement the drought contingency plan contained in their water conservation plan. The

Drought/Emergency Contingency portion of this plan shall include a description of how HAWC plans to allocate water to secondary users, if any, during a drought or emergency contingency.

b. Each secondary or tertiary purchaser of contracted water from a HAWC member shall:

(1) prepare and implement a water conservation plan that is consistent with the current guidelines for conservation plans and practices, developed and maintained by the Kansas Water Office; or

(2) adopt a resolution or ordinance to implement the actions stated in the water conservation plan of HAWC.

c. HAWC shall review and update the water conservation plan every ten years.

ARTICLE 21. MISCELLANEOUS PROVISIONS

a. Severability. In the event any provisions of this agreement, or any part of any provision of this agreement, are held invalid by a court of competent jurisdiction, such invalidity shall not affect other terms hereof which can be given effect without the invalid provision or portion of such provision, and to that end the terms of this agreement are intended to be severable.

b. Choice of Law, Jurisdiction, and Venue. Disputes arising out of this contract shall be determined under the laws of the State of Kansas, in the district courts of that state, sitting in Shawnee County, Kansas.

c. Kansas Contract Provisions Attachment. The provisions found in contractual provisions attachment (Form DA-146a – Attachment A), which is attached hereto, are hereby incorporated in this contract and made a part thereof by reference herein.

d. Tax Clearances. Per K.S.A. 75-3740(c), the Director may confirm the tax status of any purchaser who is in arrears on taxes due the State of Kansas with the Division of Purchases prior to the approval and signing of this contract if necessary for the purposes of this contract. The State reserves the right to allow a purchaser an opportunity to clear its tax status within ten (10) calendar days if it is determined by the Division of Purchases to be in the best interest of the State.

e. Headings. Headings used in this agreement are informational and not to be considered persuasive or determinative of any clause or matter in dispute.

IN WITNESS WHEREOF, the parties aver and acknowledge the terms and conditions agreed to above, aver that they have the authority to bind the parties by their signatures to the same, and hereto have executed this agreement as of the day and year first above written.

THE STATE OF KANSAS, BY:



Tracy Streeter
Director, Kansas Water Office

PURCHASER, BY:

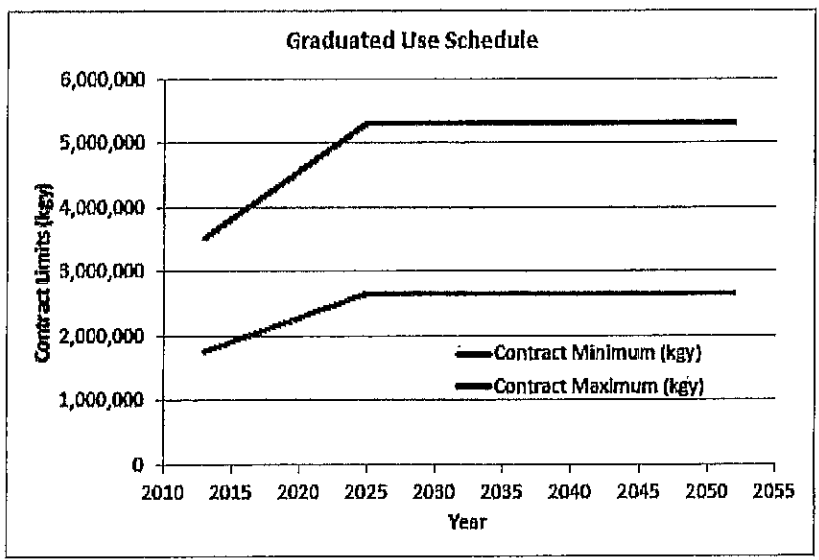


Allan Soetaert
President, Hillsdale Area Water Cooperative

COPY

Appendix A. Graduated Use Schedule

Year	Year Number	Contract Minimum (kg)	Contract Maximum (kg)
2013	1	1,781,100	3,522,392
2014	2	1,835,620	3,671,239
2015	3	1,810,043	3,820,086
2016	4	1,884,467	3,968,934
2017	5	2,058,891	4,117,781
2018	6	2,133,315	4,266,629
2019	7	2,207,739	4,415,476
2020	8	2,282,162	4,564,323
2021	9	2,356,586	4,713,171
2022	10	2,431,009	4,862,018
2023	11	2,505,433	5,010,865
2024	12	2,579,857	5,159,713
2025	13	2,654,280	5,308,560
2026	14	2,654,280	5,308,560
2027	15	2,654,280	5,308,560
2028	16	2,654,280	5,308,560
2029	17	2,654,280	5,308,560
2030	18	2,654,280	5,308,560
2031	19	2,654,280	5,308,560
2032	20	2,654,280	5,308,560
2033	21	2,654,280	5,308,560
2034	22	2,654,280	5,308,560
2035	23	2,654,280	5,308,560
2036	24	2,654,280	5,308,560
2037	25	2,654,280	5,308,560
2038	26	2,654,280	5,308,560
2039	27	2,654,280	5,308,560
2040	28	2,654,280	5,308,560
2041	29	2,654,280	5,308,560
2042	30	2,654,280	5,308,560
2043	31	2,654,280	5,308,560
2044	32	2,654,280	5,308,560
2045	33	2,654,280	5,308,560
2046	34	2,654,280	5,308,560
2047	35	2,654,280	5,308,560
2048	36	2,654,280	5,308,560
2049	37	2,654,280	5,308,560
2050	38	2,654,280	5,308,560
2051	39	2,654,280	5,308,560
2052	40	2,654,280	5,308,560



Appendix B. Founding Members of the Hillsdale Area Water Cooperative and signatories to the Interlocal Agreement, March 3, 2011

City of Edgerton
City of Gardner
City of Spring Hill
City of Wellsville
Franklin Co Rural Water District #1
Johnson Co Rural Water District #7
Miami Co Rural Water District #1
Miami Co Rural Water District #2
Miami Co Rural Water District #4

COPY

Appendix C. Points of Withdrawal

The points of withdrawal from Hillsdale Lake shall be:

in the Southwest Quarter of the Southeast Quarter of the Northeast Quarter of Section 7, Township 16 South, Range 23 East, Miami County, Kansas and

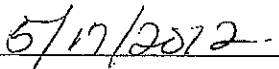
in the Northeast Quarter of the Northwest Quarter of Section 5, township 16 North, Range 23 East, Miami County.

I hereby aver that the Kansas Water Authority, pursuant to the provisions of K.S.A. 82-1311a, at the regular meeting of the Kansas Water Authority in Hillsboro, Kansas on May 17, 2012, did authorize the Director of the Kansas Water Office to enter into the contract or agreement between the Hillsdale Area Water Cooperative and the Kansas Water Office, as may be entitled as follows or similar, in the discretion of the Director of the Kansas Water Office:

Hillsdale Area Water Cooperative Contract



Don Paxson
Vice Chair – Kansas Water Authority



Date