



October 17, 2022

Mr. Ty Lasher
City Manager
City of Bel Aire
7651 E Central Park Avenue
Bel Aire, KS 67266

Re: Proposed CCUA Cost Sharing Evaluation

Dear Ty:

As a follow up to our meeting on October 6, this letter presents a proposed scope of work, with milestones, a fee estimate, and an initial data request.

Project Understanding

The City of Bel Aire participates in a cost sharing arrangement with the Park City to fund ongoing operating and capital costs for the Chisholm Creek Utility Authority (CCUA). Formed in 2001, CCUA provides water and wastewater treatment services for both cities.

Since CCUA's formation, Bel Aire and Park City have grown at different rates, and the types of new connections have also differed between the two communities. Cost sharing arrangements were not designed to recognize the different rates and types of growth experienced by the cities, and as a result have raised concerns about the equitable nature of cost recovery. While cost sharing agreements do have a true-up provision, there has been disagreement over when a true-up is required, further complicating concerns over equity.

The wastewater treatment facility has recently encountered compliance issues and is believed to be nearing capacity. Addressing these challenges will require additional investment, creating a sense of urgency to resolve concerns over cost sharing equity. The City of Bel Aire has requested analysis be performed to achieve the following goals for both the water and wastewater treatment facilities:

1. Review agreements and bond documents, forming an opinion about how existing cost sharing and true-up analysis was intended to be practiced, including declared capacity.
2. Gather historical annual operating and capital costs for the systems, along with historical contributions from both cities to cover those costs.
3. Estimate the future operating and capital costs and projections of each community's use of each treatment facility.
4. Project future operating and capital costs.
5. Looking both historically and into the future, form an opinion the regarding the equity of CCUA's cost sharing practices, including the use of the true-up.
6. Propose an alternate cost recovery approach to address equity concerns.
7. Present findings to the City of Bel Aire and outside counsel.



Mr. Ty Lasher
City of Bel Aire
October 17, 2022
Page 2

These goals represent the focus of this proposed CCUA Cost Sharing Evaluation (the Study). The remainder of this letter proposal summarizes the proposed scope, milestones, and level of effort and fee associated with the Study.

We appreciate your consideration of Burns & McDonnell for this important project. Should you have any questions about our proposal, please contact me at 816-822-4207 or Brian Meier at 316-554-6996.

Sincerely,

A handwritten signature in black ink that reads "David F. Naumann" with a horizontal line extending to the right.

David F. Naumann
Senior Project Manager

cc: Brian Meier

Mr. Ty Lasher
City of Bel Aire
October 17, 2022
Page 3

Project Approach

Task 1 - Initiate Project

The objective of Task 1 is to initiate the Study. Primary subtasks include delivering an initial data request and conducting a project kick-off meeting.

The initial data request includes the following items. If any of the requested information is not readily available and is difficult to obtain, please notify Burns & McDonnell as alternative approaches to similar data may be possible. While this request is intended to be comprehensive, additional data may be required as the Study progresses.

1. Copies of all pertinent governing documents including bond official statements, interlocal agreements, and any other contracts governing the existing cost sharing arrangement. (Note: interlocal agreements are on-file already)
2. Historical operation and maintenance expenses of each utility, from 2015 through 2021, in line item detail.
3. Historical debt service payments by series for each utility from 2015 through 2021.
4. For all outstanding debt series, amortization schedules through maturity.
5. Historical flow by year for each system for each community, from 2015 through 2021, total water produced by the CCUA water treatment plant and total influent received at the CCUA wastewater treatment plant. If data is available by month, please provide it. (Note: Bel Aire and CCUA treatment plant data on file)
6. When available, strength loadings of wastewater influent at the wastewater treatment plant and for each community. (Note: in-process)
7. Estimated capacity of each treatment facility on an average day and peak day basis.
8. Available fund balances for CCUA at the beginning of the current fiscal year for each system.
9. Information regarding CCUA financial policies and practices, such as reserve balance targets and debt service coverage targets, as applicable.
10. Current fiscal year budget, including future capital improvement plans as available.
11. For each system, CCUA fixed asset records including asset description, original cost, in-service dates, depreciable lives, annual and cumulative depreciation, and net book value.
12. Documentation as may be available indicating Park City had exceeded its reserved capacity in either facility.

Mr. Ty Lasher
City of Bel Aire
October 17, 2022
Page 4

The kick-off meeting provides the opportunity for Burns & McDonnell and the City of Bel Aire to discuss the project approach, schedule, deliverables, various issues to be addressed, and the initial data and information requested. The kick-off meeting will be conducted virtually via Microsoft Teams.

Task 2 - Review Existing Agreements and Document Cost Sharing Framework

The objective of Task 2 is to review existing agreements and bond documents to document the existing methodology established for cost sharing for both systems, including provisions for true-ups. Burns & McDonnell will form an opinion of how the existing agreements direct how the cost sharing framework is intended to be practiced.

Task 3 - Evaluate Historical and Projected CUA Wastewater System Costs and Demand Quantities, and Develop an Alternate Cost Sharing Framework for the CUA Wastewater System

The first objective of Task 3 is to document historical costs of the CUA wastewater system, along with available billing determinants. For the purpose of this Study, the historical period to be evaluated is expected to be 2015 through 2021. Estimates of future operating and capital costs will be based on existing budgets and capital improvement program estimates with allowances for inflation. Future demand will be estimated in consultation with the City of Bel Aire and Burns & McDonnell personnel familiar with the wastewater system and anticipated growth patterns of both communities. A projection period of 5- to 10-years is proposed.

Using information developed in Task 2, the existing cost sharing methodology will be modeled and applied to historical and future periods. This analysis will provide perspective on whether historical cost sharing has been performed in a manner consistent with the contractual framework, and how future costs will be shared if the framework continues.

Historical and projected wastewater operating and capital costs, along with associated service demands for Bel Aire and Park City, will be reviewed in a Microsoft Teams meeting with Bel Aire.

The second objective of Task 3 is to develop an alternative cost sharing approach that address concerns regarding the equitable cost recovery for the wastewater system. Following the principles of cost of service described in the Water Environment Federation's Manual of Practice *Financing and Charges for Wastewater Systems*, a model will be developed to identify costs associated with wastewater treatment services that not only vary in accordance with contributed flow, but also vary depending on strength of loadings, and potentially peak wet weather flow. This approach will be modeled and provide the capability to evaluate how cost sharing results

Mr. Ty Lasher
City of Bel Aire
October 17, 2022
Page 5

will vary from the existing methodology in future periods. It will be possible to test the framework against prior periods, but will require availability of detailed O&M expenses and estimates of loading strengths for prior periods.

The alternate wastewater cost sharing framework will be reviewed in a Microsoft Teams meeting with Bel Aire.

Task 4 - Evaluate Historical and Projected CUA Water System Costs and Demand Quantities, and Develop an Alternate Cost Sharing Framework for the CUA Water System

The first objective of Task 4 is to document historical costs of the CUA water system, along with available billing determinants. For the purpose of this Study, the historical period to be evaluated is expected to be 2015 through 2021. Estimates of future operating and capital costs will be based on existing budgets and capital improvement program estimates with allowances for inflation. Future demand will be estimated in consultation with the City of Bel Aire and Burns & McDonnell personnel familiar with the water system and anticipated growth patterns of both communities. A projection period of 5- to 10-years is proposed.

Using information developed in Task 2, the existing cost sharing methodology will be modeled and applied to historical and future periods. This analysis will provide perspective on whether historical cost sharing has been performed in a manner consistent with the contractual framework, and how future costs will be shared if the framework continues.

Historical and projected water operating and capital costs, along with associated service demands for Bel Aire and Park City, will be reviewed in a Microsoft Teams meeting with Bel Aire.

The second objective of Task 4 is to develop an alternative cost sharing approach that address concerns regarding the equitable cost recovery for the water system. Following the principles of cost of service described in the American Water Works Association's Manual of Practice *M1: Principles of Water Rates, Fees, and Charges*, a model will be developed to identify costs associated with water treatment services that not only vary in accordance with annual water sales, but also vary depending on maximum day demand. This approach will be modeled and provide the capability to evaluate how cost sharing results will vary from the existing methodology in future periods. It will be possible to test the framework against prior periods, but will require availability of detailed O&M expenses and estimates of maximum day demand for prior periods.

Mr. Ty Lasher
 City of Bel Aire
 October 17, 2022
 Page 6

The alternate water system cost sharing framework will be reviewed in a Microsoft Teams meeting with Bel Aire.

Task 5 - Study Reports and Presentations

The objective of Task 5 is to document Study findings and present results.

Burns & McDonnell will summarize the Study results in a separate draft report for each system, describing the key findings and documenting how the analysis and recommendations were developed. Our reports generally feature an executive summary, a list of abbreviations and chapters addressing the analysis performed for the Study. Feedback from the City will be incorporated into each report prior to finalizing the documents.

Burns & McDonnell anticipates presenting results to the City of Bel Aire’s City Council for both systems during one City Council meeting. A draft powerpoint presentation will be prepared for City review prior to the presentation. A presentation is also expected to occur with the City of Bel Aire’s outside counsel through Microsoft Teams.

At this point the scope for the proposed Study will conclude. Potential next steps could involve supporting the City of Bel Aire in discussions with CCUA as needed.

Proposed Schedule

We anticipate this Study to be substantially complete by the end of December 2022. Assuming a notice to proceed of October 31, we propose the following general timeline.

Task	Delivery Date
Notice to Proceed	October 31
Study Kickoff	Week of October 31
Review of Historical and Projected Costs for Both Systems	Week of November 14
Receipt of Sampled Wastewater Strength Loadings	Week of December 5
Review of Alternative Cost Recovery Approach for Both Systems	Week of December 12
Draft Reports	Week of December 19
City Council Presentation	TBD
Outside Council Presentation	TBD

Please note that this timetable is relatively aggressive and will require data to be available the week of October 31.

Mr. Ty Lasher
 City of Bel Aire
 October 17, 2022
 Page 7

Estimated Level of Effort and Cost

Burns & McDonnell proposes to perform the consulting services described in this proposal for a not-to-exceed fee of \$45,230 to be billed monthly on a time and material basis. This price reflects approximately 209 man-hours, and 1 on-site trip for a City Council presentation.

Bel Aire, KS CCUA Cost Sharing Evaluation								
	Task 1 - Initiate Project	Task 2 - Review Exixsting Agreements and Document Framework	Task 3 - Wastewater System Cost Sharing Evaluation	Task 4 - Water System Cost Sharing Evaluation	Task 5 - Study Reports and Presentations	Estimated Total Hours	Total Labor & Expense	Hourly Rate
Consultant								
Dave Naumann	8	6	28	12	16	70	\$ 18,760	\$ 268
Alex Craven	8	3	68	42	18	139	\$ 26,271	\$ 189
Total Labor	16	9	96	54	34	209	\$ 45,031	
Expenses \$ ⁽¹⁾					\$ 199		\$ 199	
Total Project Fees	\$ 3,656	\$ 2,175	\$ 20,356	\$ 11,154	\$ 7,889		\$ 45,230	

⁽¹⁾ Cost for travel and on-site meetings, to be billed at cost.