

**A Tax Abatement Cost-Benefit Analysis of  
Topeka Health System, LLC  
for the City of Topeka  
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@ckt.net  
August 22, 2017**

**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 as follows:

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**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 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.*
- **Net 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 Net Present Value. *Generally, a positive net 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 project period 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 (See Page 15).

**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 project period. 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 6 and summarized here in the following table:

<b>Taxing Entity</b>	<b>Benefit to Cost Ratio</b>	<b>Average Return on Investment</b>
<b>City of Topeka</b>	2.99	19.93%
<b>Shawnee County</b>	2.32	13.19%
<b>Topeka USD 501</b>	2.83	18.27%
<b>Topeka/Shawnee Co. Public Library</b>	1.34	3.36%
<b>Washburn University</b>	2.33	13.28%
<b>Metro Topeka Airport Authority</b>	1.33	3.28%
<b>Topeka Metro Transit Authority</b>	1.32	3.20%
<b>State of Kansas</b>	20.16	192%

The benefit-to-cost ratios exceed the desired 1.3 for all taxing entities during the project period. This report assumes that the City of Topeka will approve a property tax abatement which is further detailed on page 16 along with other assumptions used in this report.

NOTE: The amount of the property tax abatement is larger in Year 1 due to a specific one-year abatement request as detailed in paragraph 3 on page 16.

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

R. Steven Robb  
Sole Owner  
Municipal Consulting, LLC.

Column1	Column2	Column3	Column4	Column5	Column6
<b>COST-BENEFIT ANALYSIS PROJECT SUMMARY</b>					
<b>PROJECT NAME:</b>		<b>Topeka Health System, LLC</b>			
<b>DATE:</b>			8/22/2017		
<b>GOVERNMENTAL ENTITIES INVOLVED:</b>					
<b>CITY:</b>			<b>City of Topeka</b>		
<b>COUNTY:</b>			<b>Shawnee County</b>		
<b>SCHOOL DISTRICT:</b>			<b>Topeka USD 501</b>		
<b>SPECIAL TAXING DISTRICT #1</b>	<b>Topeka/Shawnee Co. Pub. Lib.</b>				
<b>SPECIAL TAXING DISTRICT #2</b>	<b>Washburn University</b>				
<b>SPECIAL TAXING DISTRICT #3</b>	<b>Metro Topeka Airport Auth.</b>				
<b>SPECIAL TAXING DISTRICT #4</b>	<b>Topeka Metro Transit Auth.</b>				
<b>STATE:</b>			<b>State of Kansas</b>		
<b>INFLATION RATE: <sup>1</sup></b>		1.50%	<b>DISCOUNT RATE:</b>		2.50%
<sup>1</sup> Except property taxes are projected to increase by 2% every two years.					

### Topeka Health System, LLC

Column1	Column2	Column3	Column4	Column6	Column7	Column8	Column9	Column11
<b>Community Data Inputs:</b>								
	<b>Topeka</b>	<b>Shawnee Co.</b>	<b>Topeka USD 501</b>	<b>Library</b>	<b>W.U.</b>	<b>Airport Authority</b>	<b>Transit Authority</b>	<b>State</b>
Mill Levy	39.927	48.345	50.869	9.781	3.275	2.060	4.200	1.500
Market Value New Home	\$145,000	\$174,500	\$145,000	\$174,500	\$145,000	\$174,500	\$145,000	\$222,200
Sales Tax	1.50%	1.150%	n/a	n/a	n/a	n/a	n/a	6.50%
Transient Guest Tax	7.00%	7.00%	n/a	n/a	n/a	n/a	n/a	n/a
Utility Revenue/HsHld	\$53.56	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Franchise Fees/HsHld	\$254.35	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Other Revenues/Res.	\$506.54	\$144.45	n/a	\$71.51	\$677.69	\$16.01	\$24.93	\$142.11
Marg. Cost/Res./Student	\$91.39	\$41.46	\$1,324.90	\$21.67	\$221.97	\$5.88	\$7.48	\$56.54
Other Revenues/Worker	\$445.38	\$123.26	n/a	\$62.40	\$591.39	\$13.97	\$21.75	\$119.55
Marginal Cost/New Worker	\$80.07	\$35.38	n/a	\$18.91	\$193.71	\$5.13	\$6.53	\$47.56
State Funding/Pupil	n/a	n/a	\$9,178.88	n/a	n/a	n/a	n/a	n/a
Federal Funding/Pupil	n/a	n/a	\$2,121.37	n/a	n/a	n/a	n/a	n/a
Visitor Daily Spending	\$50	\$50						\$76.00
Average Hotel Room Rate	\$100	\$100						
Pull Factor	1.37	1.06						
Percent of County Share	91.40%	100.00%						
Annual Sales Tax Per Capita	\$1,274.00	\$990.51						\$932.29
Housing Vacancy Rate	9.40%	8.30%						10.30%

**Topeka Health System, LLC**

Column1	Column2	Column3	Column4	Column5	Column6	Column7	Column8	Column9	Column10	Column11	Column12	Column13	Column14	Column15
<b>Firm Data Inputs:</b>			Initial	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10	
	Investment	Improvements	Improvements	Improvements	Improvements	Improvements	Improvements	Improvements	Improvements	Improvements	Improvements	Improvements	Improvements	Total
Firm's Investment in:	\$0	\$8,000,000	\$6,750,000	\$6,750,000	\$6,750,000	\$6,750,000	\$6,750,000	\$8,000,000	\$8,000,000	\$8,000,000	\$8,000,000	\$8,000,000	\$8,000,000	\$75,000,000
	<b>Growth</b>	<b>Const. Per.</b>	<b>Yr. 1</b>	<b>Yr. 2</b>	<b>Yr. 3</b>	<b>Yr. 4</b>	<b>Yr. 5</b>	<b>Yr. 6</b>	<b>Yr. 7</b>	<b>Yr. 8</b>	<b>Yr. 9</b>	<b>Yr. 10</b>	<b>Total</b>	
Sales <sup>1</sup>	0.00%		\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Purchases <sup>2</sup>	0.00%		\$36,500,000	\$37,230,000	\$37,230,000	\$37,974,600	\$37,974,600	\$38,734,092	\$38,734,092	\$39,508,774	\$39,508,774	\$40,298,949	\$383,693,881	
Net Util. Rev. <sup>3</sup>	3.00%	\$0	\$19,709	\$21,532	\$24,588	\$28,914	\$34,816	\$42,126	\$50,888	\$61,144	\$72,940	\$86,321	\$442,980	
Franchise Fees <sup>4</sup>	3.00%	\$0	\$147,049	\$151,460	\$156,004	\$160,684	\$165,505	\$170,470	\$175,584	\$180,852	\$186,277	\$191,866	\$1,685,752	
New Employees		0	1618	78	73	72	89	75	75	75	75	75	75	2,305
New to the city (30% of new hires)		0	0	23	22	22	27	23	23	23	23	23	23	209
New to the county (40% of new hires)		0	0	31	29	29	36	30	30	30	30	30	30	275
New to the state (10% of new hires)		0.0	0.0	8.0	7.0	7.0	9.0	8	8	8	8	8	8	71
New students in K-12 (1 per new family)		0	0	23	22	22	27	23	23	23	23	23	23	209
Average Salary		n/a	\$66,442	\$68,435	\$70,488	\$72,603	\$74,781	\$77,024	\$79,335	\$81,715	\$84,167	\$86,692	N/A	
Tax Abatement-Land			100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	N/A
Tax Abatement-Bldg.			100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	N/A
Visitors <sup>5</sup>	0.0%	0	0	0	0	0	0	0	0	0	0	0	0	0

	City	County	State
Percentage of sales taxable in the	0%	0%	0%
Percentage of purchases taxable in the	15%	15%	20%

Assumed Inflation Rate <sup>6</sup>

1.50%

<sup>1</sup> Revenues are not subject to sales tax and therefore have no impact on the cost-benefit analysis.

<sup>2</sup> Only the portion of purchases subject to sales tax have impact on the cost-benefit analysis.

<sup>3</sup> Calculated based on gross city utility revenues times the city utility profit margin from the 2015 city budget.

<sup>4</sup> Calculated by gross revenues from non-city utilities times an average franchise rate of 5%.

<sup>5</sup> Without historical data on the number of visitors per patient overnight stays, no impact on the cost-benefit analysis is included.

<sup>6</sup> Except property taxes are projected to increase by 2% every two years.

Column1	Column2	Column3	Column4	Column5	Column6	Column7	Column8	Column9	
<b>COST-BENEFIT ANALYSIS PROJECT SUMMARY</b>									
<b>PROJECT NAME:</b>	Topeka Health System, LLC					<b>Ratio of</b>			
<b>DATE:</b>	8/22/2017					<b>NPV of Net</b>			
				<b>Net Present Value of Net Benefits</b>	<b>NPV of Incentives &amp; Taxes Abated</b>	<b>Benefits to NPV of Incentives and Taxes Abated</b>	<b>Actual Benefit to Cost Ratio</b>	<b>Avg. Annual Rate of Return</b>	
<b>Entity</b>	<b>Total Benefits</b>	<b>Total Costs &amp; Incentives</b>	<b>Net Benefits</b>						
City of Topeka	\$18,910,769	\$6,318,490	\$12,592,279	\$10,876,153	\$5,267,430	2.06	2.99	19.93%	
Shawnee County	\$17,299,145	\$7,459,935	\$9,839,210	\$8,525,361	\$6,377,987	1.34	2.32	13.19%	
Topeka USD 501	\$22,668,715	\$8,019,866	\$14,648,849	\$12,317,024	\$5,692,761	2.16	2.83	18.27%	
Topeka/Shawnee Co. Pub. Lib.	\$2,065,328	\$1,545,364	\$519,964	\$443,759	\$1,290,373	0.34	1.34	3.36%	
Washburn University	\$2,872,304	\$1,233,689	\$1,638,615	\$1,369,789	\$432,059	3.17	2.33	13.28%	
Metro Topeka Airport Auth.	\$438,149	\$329,862	\$108,288	\$92,441	\$271,769	0.34	1.33	3.28%	
Topeka Metro Transit Auth.	\$867,586	\$657,500	\$210,086	\$179,554	\$554,091	0.32	1.32	3.20%	
State of Kansas	\$78,314,516	\$3,884,628	\$74,429,888	\$64,564,543	\$3,247,552	19.88	20.16	191.60%	

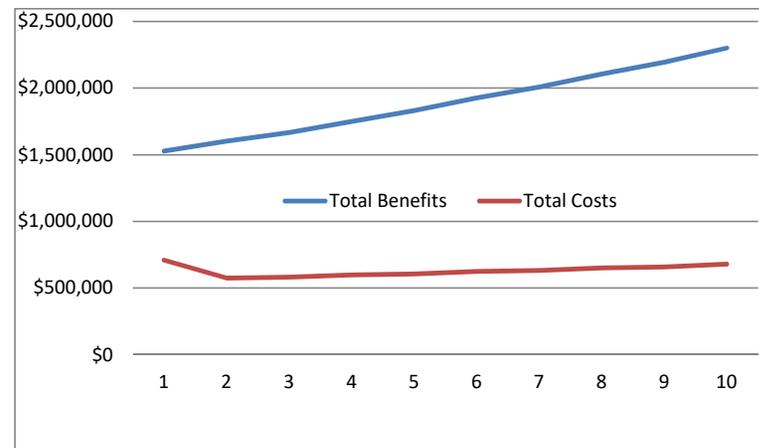
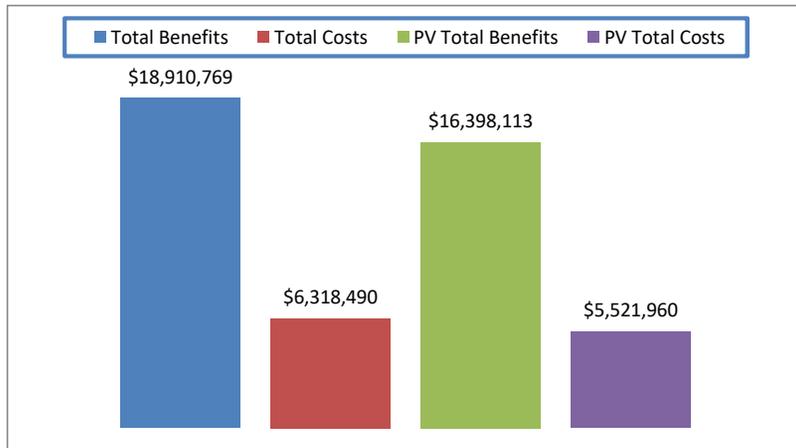
**SUMMARY OF COSTS AND BENEFITS FOR:**  
**PROJECT:** Topeka Health System, LLC  
**DATE:** 8/22/2017

City of Topeka

<b>Ratio of Actual Benefits to Actual Costs Over the 10-Year Period:</b>	<b>2.99</b>
<b>Ratio of Present Value of Total Benefits to Present Value of Total Costs:</b>	<b>2.97</b>
(Typical desired ratio would be 1.3 to 1)	<b>Average ROI</b>
	<b>19.93%</b>

**DISCOUNT RATE:** 2.50%

Year	Sales Taxes <sup>1</sup>	Property Taxes <sup>2</sup>	Utilities and Franchise Fees <sup>3</sup>	PILOT Payment	Other City <sup>4</sup> Revenues	Total Benefits	Net Present Value of Total Benefits	Incentives and Cost of Various City Services <sup>5</sup>	Property Taxes Abated <sup>6</sup>	Total Costs	Net Present Value of Total Costs	Net Benefits or Costs	Cumulative Net Benefits or Costs	Net Present Value of Net Benefits	Net Present Value of Incentives & Taxes Abated
1	\$650,902	\$709,382	\$166,758	\$0	\$0	\$1,527,042	\$1,489,797	\$0	\$709,382	\$709,382	\$692,080	\$817,660	\$817,660	\$797,717	\$692,080
2	\$670,958	\$723,569	\$172,993	\$0	\$34,438	\$1,601,959	\$1,524,768	\$6,207	\$568,740	\$574,947	\$547,242	\$1,027,012	\$1,844,672	\$977,525	\$541,335
3	\$693,573	\$723,569	\$180,593	\$0	\$68,390	\$1,666,125	\$1,547,163	\$12,326	\$568,740	\$581,066	\$539,577	\$1,085,059	\$2,929,732	\$1,007,585	\$528,131
4	\$718,414	\$738,041	\$189,599	\$0	\$103,353	\$1,749,406	\$1,584,876	\$18,627	\$580,114	\$598,742	\$542,431	\$1,150,664	\$4,080,396	\$1,042,445	\$525,555
5	\$745,457	\$738,041	\$200,321	\$0	\$147,178	\$1,830,996	\$1,618,334	\$26,526	\$580,114	\$606,641	\$536,182	\$1,224,356	\$5,304,751	\$1,082,152	\$512,737
6	\$776,476	\$752,801	\$212,597	\$0	\$185,937	\$1,927,811	\$1,662,345	\$33,512	\$591,717	\$625,228	\$539,133	\$1,302,583	\$6,607,334	\$1,123,213	\$510,236
7	\$802,109	\$752,801	\$226,472	\$0	\$225,826	\$2,007,209	\$1,688,595	\$40,701	\$591,717	\$632,418	\$532,031	\$1,374,792	\$7,982,126	\$1,156,564	\$497,791
8	\$830,106	\$767,858	\$241,996	\$0	\$266,870	\$2,106,830	\$1,729,173	\$48,098	\$603,551	\$651,649	\$534,839	\$1,455,180	\$9,437,306	\$1,194,334	\$495,363
9	\$856,992	\$767,858	\$259,217	\$0	\$309,094	\$2,193,162	\$1,756,127	\$55,708	\$603,551	\$659,260	\$527,888	\$1,533,902	\$10,971,208	\$1,228,239	\$483,281
10	\$886,303	\$783,215	\$278,187	\$0	\$352,526	\$2,300,230	\$1,796,936	\$63,536	\$615,622	\$679,158	\$530,557	\$1,621,072	\$12,592,279	\$1,266,379	\$480,923
<b>Total</b>	<b>\$7,631,290</b>	<b>\$7,457,134</b>	<b>\$2,128,732</b>	<b>\$0</b>	<b>\$1,693,613</b>	<b>\$18,910,769</b>	<b>\$16,398,113</b>	<b>\$305,242</b>	<b>\$6,013,248</b>	<b>\$6,318,490</b>	<b>\$5,521,960</b>	<b>\$12,592,279</b>	<b>\$12,592,279</b>	<b>\$10,876,153</b>	<b>\$5,267,430</b>



<sup>1</sup> Includes sales taxes from construction labor disposable spending, employee disposable spending and firm taxable purchases.

<sup>2</sup> All assessed property taxes, including the taxes that are requested to be abated.

<sup>3</sup> Includes utility net profits and franchise fees for the firm and employee households.

<sup>4</sup> Revenues other than property taxes and sales taxes, such as fees for service, fines, etc.

<sup>5</sup> Marginal costs of providing services other than utilities.

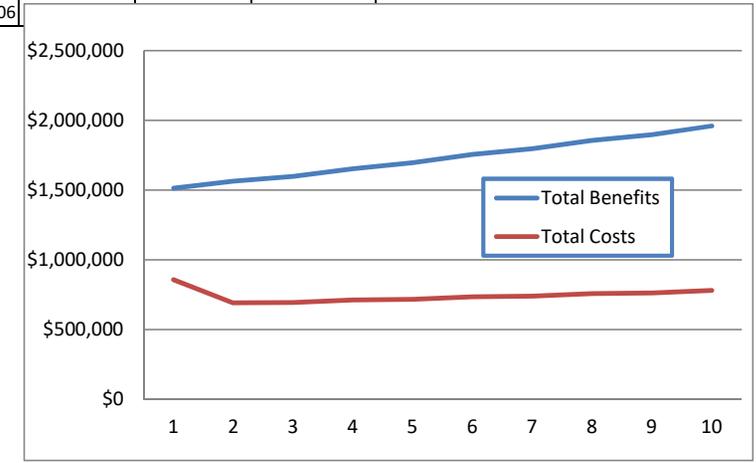
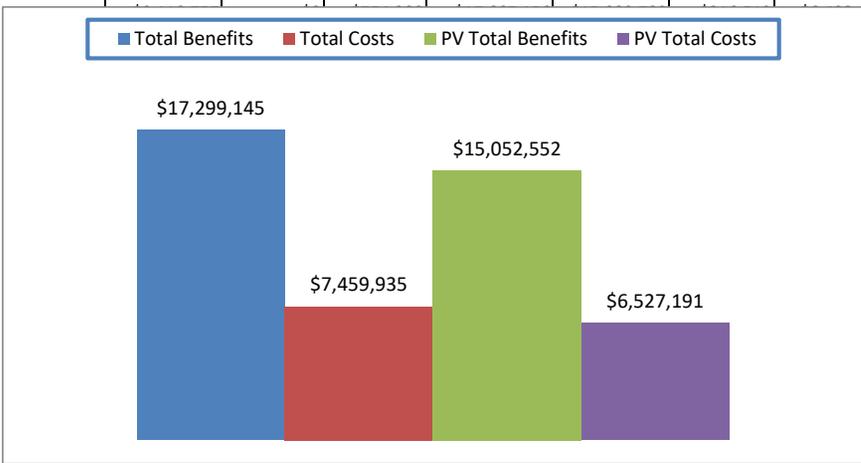
<sup>6</sup> Property taxes requested to be abated.

**SUMMARY OF COSTS AND BENEFITS FOR:**  
**PROJECT:** Topeka Health System, LLC  
**DATE:** 8/22/2017

**Shawnee County**

**Ratio of Actual Benefits to Actual Costs Over the 10-Year Period:** 2.32  
**Ratio of Present Value of Total Benefits to Present Value of Total Costs:** 2.31  
**DISCOUNT RATE:** 2.50% (Typical desired ratio would be 1.3 to 1) **Average ROI** 13.19%

Year	Sales Taxes <sup>1</sup>	Property Taxes <sup>2</sup>	PILOT Payment	Other <sup>3</sup> County Revenues	Total Benefits	Net Present Value of Total Benefits	Cost of Various County Services <sup>4</sup>	Property Taxes Abated <sup>5</sup>	Total Costs	Net Present Value of Total Costs	Net Benefits or Costs	Cumulative Net Benefits or Costs	Net Present Value of Net Benefits	Net Present Value of Taxes Abated
1	\$655,310	\$858,944	\$0	\$0	\$1,514,254	\$1,477,321	\$0	\$858,944	\$858,944	\$837,994	\$655,310	\$655,310	\$639,326	\$837,994
2	\$675,524	\$876,123	\$0	\$12,923	\$1,564,570	\$1,489,180	\$3,710	\$688,650	\$692,359	\$658,998	\$872,211	\$1,527,520	\$830,183	\$655,467
3	\$697,704	\$876,123	\$0	\$25,388	\$1,599,215	\$1,485,030	\$7,288	\$688,650	\$695,937	\$646,247	\$903,277	\$2,430,798	\$838,783	\$639,480
4	\$721,700	\$893,645	\$0	\$38,224	\$1,653,570	\$1,498,052	\$10,972	\$702,423	\$713,395	\$646,300	\$940,175	\$3,370,973	\$851,752	\$636,360
5	\$748,263	\$893,645	\$0	\$54,491	\$1,696,399	\$1,499,370	\$15,641	\$702,423	\$718,064	\$634,664	\$978,335	\$4,349,308	\$864,706	\$620,839
6	\$777,506	\$911,518	\$0	\$68,582	\$1,757,606	\$1,515,578	\$19,686	\$716,471	\$736,157	\$634,786	\$1,021,449	\$5,370,757	\$880,792	\$617,811
7	\$802,426	\$911,518	\$0	\$83,084	\$1,797,028	\$1,511,777	\$23,849	\$716,471	\$740,320	\$622,805	\$1,056,708	\$6,427,465	\$888,971	\$602,742
8	\$829,275	\$929,749	\$0	\$98,005	\$1,857,028	\$1,524,150	\$28,132	\$730,801	\$758,933	\$622,891	\$1,098,096	\$7,525,560	\$901,258	\$599,802
9	\$855,392	\$929,749	\$0	\$113,356	\$1,898,497	\$1,520,180	\$32,538	\$730,801	\$763,339	\$611,227	\$1,135,158	\$8,660,718	\$908,953	\$585,173
10	\$883,490	\$948,344	\$0	\$129,145	\$1,960,978	\$1,531,913	\$37,070	\$745,417	\$782,487	\$611,278	\$1,178,492	\$9,839,210	\$920,636	\$582,318
Total	\$7,646,589	\$9,029,357	\$0	\$623,198	\$17,299,145	\$15,052,552	\$178,885	\$7,281,050	\$7,459,935	\$6,527,191	\$9,839,210	\$9,839,210	\$8,525,361	\$6,377,987



<sup>1</sup> Includes sales taxes from construction labor disposable spending, employee disposable spending and firm taxable purchases.

<sup>2</sup> All assessed property taxes, including the taxes that are requested to be abated.

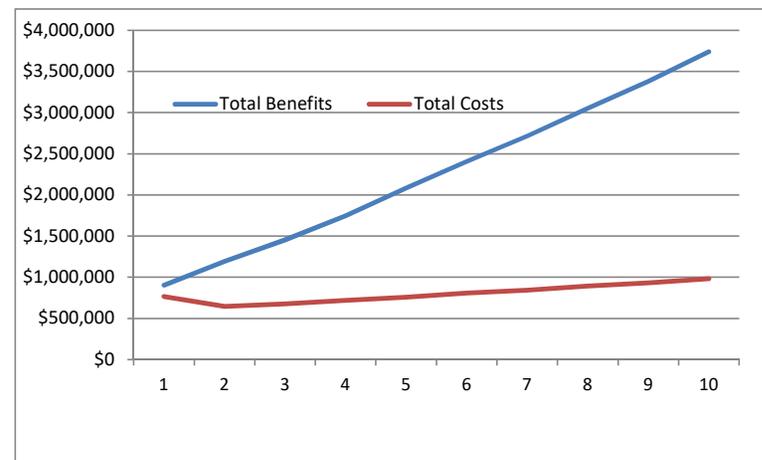
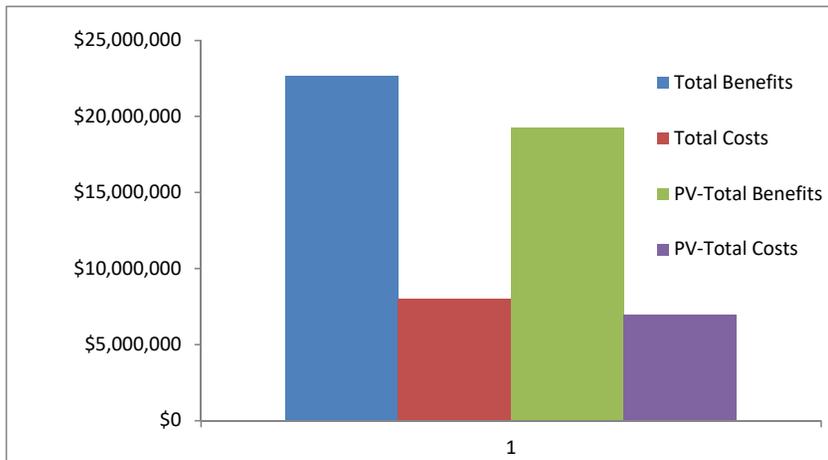
<sup>3</sup> Revenues other than property taxes and sales taxes, such as fees for service, fines, etc.

<sup>4</sup> Marginal costs of providing county services.

<sup>5</sup> Property taxes requested to be abated.

**SUMMARY OF COSTS AND BENEFITS FOR:** Topeka USD 501  
**PROJECT:** Topeka Health System, LLC  
**DATE:** 8/22/2017 **DISCOUNT RATE:** 2.50%  
**Ratio of Actual Benefits to Actual Costs Over the 10-Year Period:** 2.83  
**Ratio of Present Value of Total Benefits to Present Value of Total Costs:** 2.77  
 (Typical desired ratio would be 1.3 to 1) **Average ROI** 18.27%

Year	Property Taxes <sup>1</sup>	Capital Outlay Payment <sup>2</sup>	Additional State, Federal and Other Funding <sup>3</sup>	Total Benefits	Net Present Value of Total Benefits	Additional Costs <sup>4</sup>	Property Taxes Abated <sup>5</sup>	Total Costs	Net Present Value of Total Costs	Net Benefits or Costs	Cumulative Net Benefits or Costs	Net Present Value of Net Benefits	Net Present Value of Taxes Abated
1	\$766,662	\$137,125	\$0	\$903,788	\$881,744	\$0	\$766,662	\$766,662	\$747,963	\$137,125	\$137,125	\$133,781	\$747,963
2	\$781,996	\$139,868	\$267,761	\$1,189,625	\$1,132,302	\$30,930	\$614,664	\$645,594	\$614,485	\$544,031	\$681,157	\$517,817	\$585,046
3	\$781,996	\$139,868	\$531,739	\$1,453,603	\$1,349,815	\$61,423	\$614,664	\$676,087	\$627,814	\$777,516	\$1,458,673	\$722,001	\$570,777
4	\$797,636	\$142,665	\$803,576	\$1,743,877	\$1,579,866	\$92,823	\$626,957	\$719,780	\$652,086	\$1,024,097	\$2,482,769	\$927,781	\$567,992
5	\$797,636	\$142,665	\$1,144,316	\$2,084,617	\$1,842,498	\$132,183	\$626,957	\$759,140	\$670,969	\$1,325,477	\$3,808,246	\$1,171,529	\$554,139
6	\$813,588	\$145,519	\$1,445,673	\$2,404,780	\$2,073,634	\$166,993	\$639,496	\$806,490	\$695,434	\$1,598,290	\$5,406,537	\$1,378,201	\$551,436
7	\$813,588	\$145,519	\$1,755,813	\$2,714,920	\$2,283,968	\$202,819	\$639,496	\$842,315	\$708,610	\$1,872,605	\$7,279,142	\$1,575,358	\$537,986
8	\$829,860	\$148,429	\$2,074,933	\$3,053,222	\$2,505,921	\$239,681	\$652,286	\$891,967	\$732,079	\$2,161,254	\$9,440,396	\$1,773,842	\$535,362
9	\$829,860	\$148,429	\$2,403,230	\$3,381,519	\$2,707,678	\$277,603	\$652,286	\$929,890	\$744,589	\$2,451,629	\$11,892,026	\$1,963,089	\$522,304
10	\$846,457	\$151,398	\$2,740,910	\$3,738,765	\$2,920,717	\$316,610	\$665,332	\$981,942	\$767,091	\$2,756,823	\$14,648,849	\$2,153,626	\$519,756
<b>Total</b>	<b>\$8,059,278</b>	<b>\$1,441,485</b>	<b>\$13,167,952</b>	<b>\$22,668,715</b>	<b>\$19,278,144</b>	<b>\$1,521,065</b>	<b>\$6,498,802</b>	<b>\$8,019,866</b>	<b>\$6,961,120</b>	<b>\$14,648,849</b>	<b>\$31,661,388</b>	<b>\$12,317,024</b>	<b>\$5,692,761</b>



<sup>1</sup> All assessed property taxes, including the taxes that are requested to be abated.

<sup>2</sup> Portion of property taxes that cannot be abated under state statute.

<sup>3</sup> Additional revenues received for the new students in the district.

<sup>4</sup> Marginal costs of new students in the district.

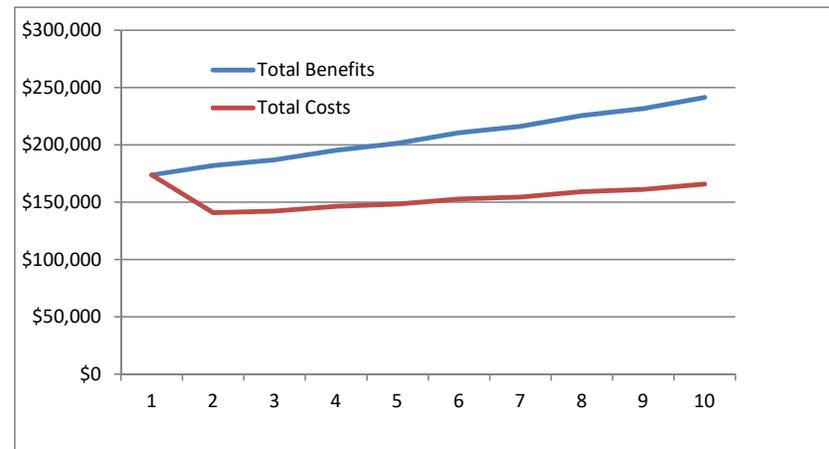
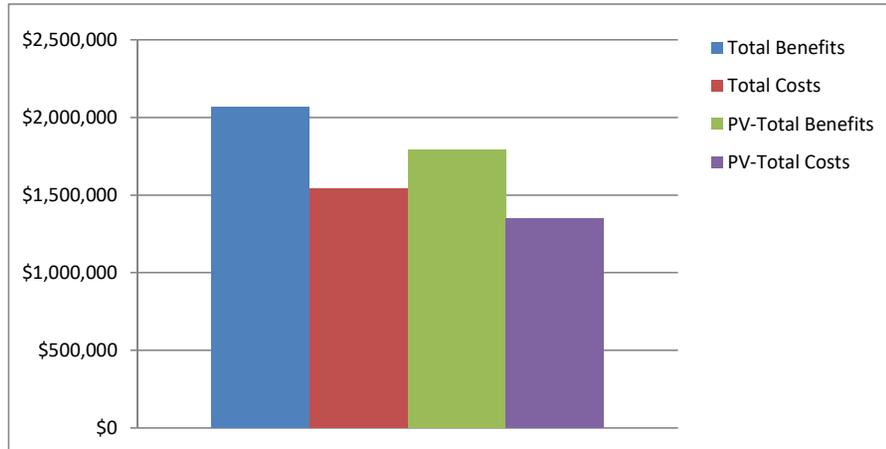
<sup>5</sup> Property taxes requested to be abated.

**SUMMARY OF COSTS AND BENEFITS FOR:** Topeka/Shawnee Co. Pub. Lib.  
**PROJECT:** Topeka Health System, LLC  
**DATE:** 8/22/2017

**Ratio of Actual Benefits to Actual Costs Over the 10-Year Period:** 1.34  
**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** 3.36%

**DISCOUNT RATE:** 2.50%

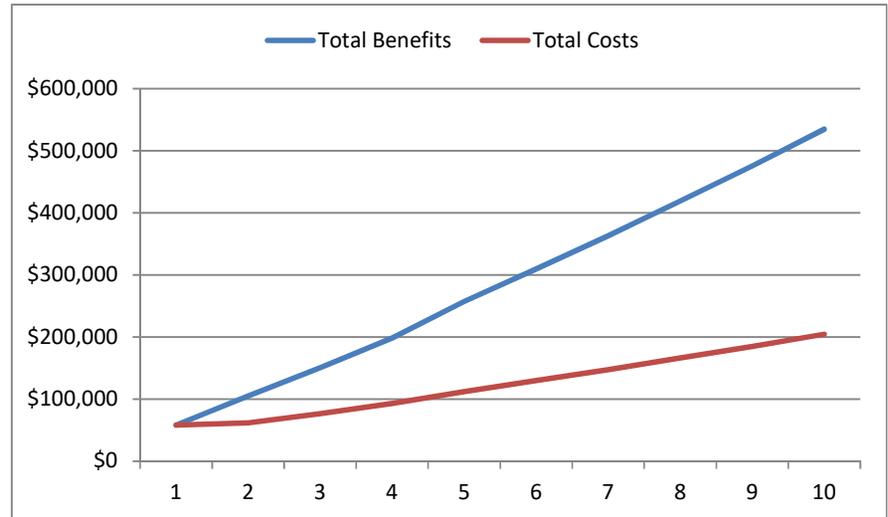
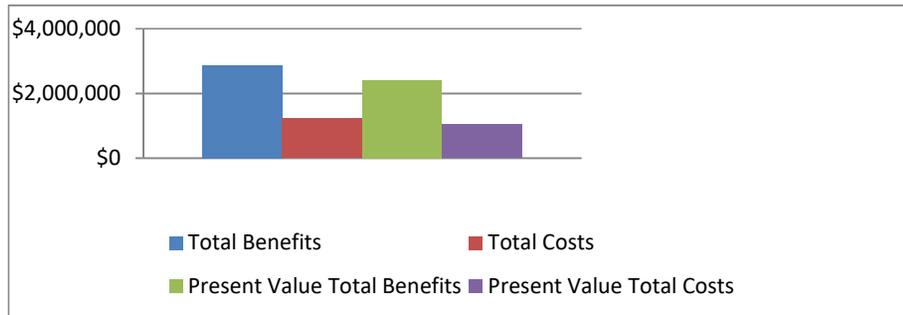
Year	Property Taxes <sup>1</sup>	District PILOT Payment	Other <sup>2</sup> District Revenues	Total Benefits	Net Present Value of Total Benefits	Other <sup>3</sup> District Costs	District Property Taxes Abated <sup>4</sup>	Total Costs	Net Present Value of Total Costs	Net Benefits or Costs	Cumulative Net Benefits or Costs	Net Present Value of Net Benefits	Net Present Value of Taxes Abated
1	\$173,779	\$0	\$0	\$173,779	\$169,540	\$0	\$173,779	\$173,779	\$169,540	\$0	\$0	\$0	\$169,540
2	\$177,254	\$0	\$4,851	\$182,105	\$173,330	\$1,470	\$139,325	\$140,795	\$134,011	\$41,310	\$41,310	\$39,319	\$132,612
3	\$177,254	\$0	\$9,632	\$186,887	\$173,543	\$2,919	\$139,325	\$142,244	\$132,088	\$44,642	\$85,952	\$41,455	\$129,377
4	\$180,799	\$0	\$14,557	\$195,356	\$176,983	\$4,411	\$142,112	\$146,523	\$132,743	\$48,833	\$134,785	\$44,240	\$128,746
5	\$180,799	\$0	\$20,729	\$201,529	\$178,122	\$6,282	\$142,112	\$148,394	\$131,158	\$53,135	\$187,920	\$46,964	\$125,606
6	\$184,415	\$0	\$26,188	\$210,604	\$181,603	\$7,936	\$144,954	\$152,890	\$131,837	\$57,714	\$245,634	\$49,766	\$124,993
7	\$184,415	\$0	\$31,807	\$216,222	\$181,900	\$9,639	\$144,954	\$154,593	\$130,053	\$61,629	\$307,263	\$51,847	\$121,945
8	\$188,104	\$0	\$37,588	\$225,691	\$185,235	\$11,390	\$147,853	\$159,244	\$130,699	\$66,448	\$373,711	\$54,537	\$121,350
9	\$188,104	\$0	\$43,535	\$231,638	\$185,479	\$13,193	\$147,853	\$161,046	\$128,954	\$70,593	\$444,303	\$56,525	\$118,390
10	\$191,866	\$0	\$49,652	\$241,518	\$188,673	\$15,046	\$150,810	\$165,857	\$129,567	\$75,661	\$519,964	\$59,106	\$117,813
<b>Total</b>	<b>\$1,826,790</b>	<b>\$0</b>	<b>\$238,538</b>	<b>\$2,065,328</b>	<b>\$1,794,409</b>	<b>\$72,286</b>	<b>\$1,473,078</b>	<b>\$1,545,364</b>	<b>\$1,350,650</b>	<b>\$519,964</b>	<b>\$519,964</b>	<b>\$443,759</b>	<b>\$1,290,373</b>



<sup>1</sup> All assessed property taxes, including the taxes that are requested to be abated.  
<sup>2</sup> Revenues other than property taxes, such as fees for service, etc.  
<sup>3</sup> Marginal costs of providing services to new residents in the district.  
<sup>4</sup> Property taxes requested to be abated.

**SUMMARY OF COSTS AND BENEFITS FOR:** Washburn University **Ratio of Actual Benefits to Actual Costs Over the 10-Year Period:** 2.33  
**PROJECT:** Topeka Health System, LLC **Ratio of Present Value of Total Benefits to Present Value of Total Costs:** 2.31  
**DATE:** 8/22/2017 **DISCOUNT RATE:** 2.50% (Typical desired ratio would be 1.3 to 1) **Average ROI** 13.28%

Year	Property Taxes <sup>1</sup>	PILOT Payment	Other <sup>2</sup> District Revenues	Total Benefits	Net Present Value of Total Benefits	Other <sup>3</sup> District Costs	District Property Taxes Abated <sup>4</sup>	Total Costs	Net Present Value of Total Costs	Net Benefits or Costs	Cumulative Net Benefits or Costs	Net Present Value of Net Benefits	Net Present Value of Taxes Abated
1	\$58,187	\$0	\$0	\$58,187	\$56,768	\$0	\$58,187	\$58,187	\$56,768	\$0	\$0	\$0	\$56,768
2	\$59,351	\$0	\$45,968	\$105,319	\$100,244	\$15,057	\$46,651	\$61,707	\$58,734	\$43,612	\$43,612	\$41,510	\$44,403
3	\$59,351	\$0	\$91,287	\$150,638	\$139,882	\$29,901	\$46,651	\$76,551	\$71,085	\$74,087	\$117,698	\$68,797	\$43,320
4	\$60,538	\$0	\$137,956	\$198,493	\$179,825	\$45,186	\$47,584	\$92,770	\$84,045	\$105,723	\$223,422	\$95,780	\$43,108
5	\$60,538	\$0	\$196,453	\$256,990	\$227,142	\$64,347	\$47,584	\$111,930	\$98,930	\$145,060	\$368,482	\$128,212	\$42,057
6	\$61,748	\$0	\$248,189	\$309,937	\$267,258	\$81,292	\$48,535	\$129,828	\$111,950	\$180,109	\$548,591	\$155,308	\$41,852
7	\$61,748	\$0	\$301,433	\$363,181	\$305,532	\$98,732	\$48,535	\$147,267	\$123,891	\$215,914	\$764,505	\$181,641	\$40,831
8	\$62,983	\$0	\$356,218	\$419,201	\$344,058	\$116,677	\$49,506	\$166,183	\$136,394	\$253,019	\$1,017,523	\$207,664	\$40,632
9	\$62,983	\$0	\$412,579	\$475,563	\$380,797	\$135,137	\$49,506	\$184,643	\$147,849	\$290,919	\$1,308,443	\$232,947	\$39,641
10	\$64,243	\$0	\$470,551	\$534,794	\$417,780	\$154,126	\$50,496	\$204,622	\$159,850	\$330,172	\$1,638,615	\$257,930	\$39,448
Total	\$611,669	\$0	\$2,260,635	\$2,872,304	\$2,419,286	\$740,454	\$493,235	\$1,233,689	\$1,049,497	\$1,638,615	\$1,638,615	\$1,369,789	\$432,059



<sup>1</sup> All assessed property taxes, including the taxes that are requested to be abated.  
<sup>2</sup> Revenues other than property taxes, such as fees for service, etc.  
<sup>3</sup> Marginal costs of providing services to new residents in the district.  
<sup>4</sup> Property taxes requested to be abated.

**SUMMARY OF COSTS AND BENEFITS FOR: Metro Topeka Airport Auth.**

**PROJECT: Topeka Health System, LLC**

**DATE: 8/22/2017**

**DISCOUNT RATE: 2.50%**

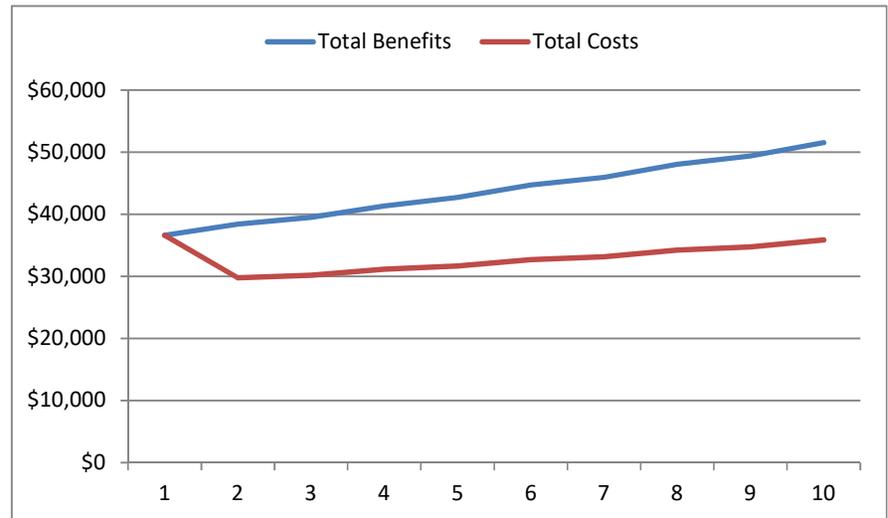
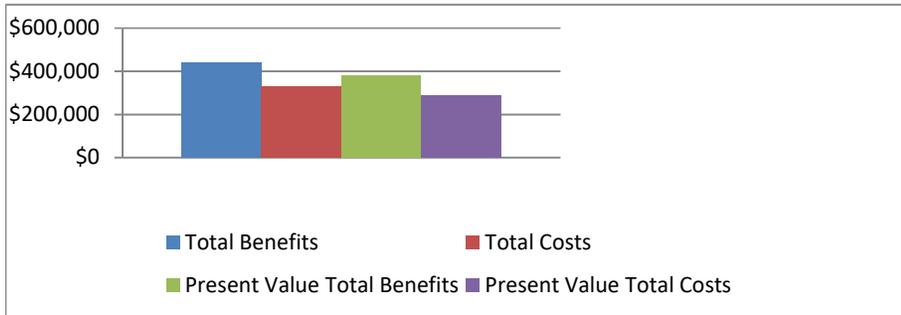
**Ratio of Actual Benefits to Actual Costs Over the 10-Year Period: 1.33**

**Ratio of Present Value of Total Benefits to Present Value of Total Costs: 1.32**

(Typical desired ratio would be 1.3 to 1)

**Average ROI 3.28%**

Year	Property Taxes <sup>1</sup>	PILOT Payment	Other <sup>2</sup> District Revenues	Total Benefits	Net Present Value of Total Benefits	Other <sup>3</sup> District Costs	District Property Taxes Abated <sup>4</sup>	Total Costs	Net Present Value of Total Costs	Net Benefits or Costs	Cumulative Net Benefits or Costs	Net Present Value of Net Benefits	Net Present Value of Taxes Abated
1	\$36,600	\$0	\$0	\$36,600	\$35,707	\$0	\$36,600	\$36,600	\$35,707	\$0	\$0	\$0	\$35,707
2	\$37,332	\$0	\$1,086	\$38,418	\$36,567	\$399	\$29,344	\$29,742	\$28,309	\$8,675	\$8,675	\$8,257	\$27,930
3	\$37,332	\$0	\$2,157	\$39,488	\$36,669	\$792	\$29,344	\$30,136	\$27,984	\$9,353	\$18,028	\$8,685	\$27,248
4	\$38,079	\$0	\$3,259	\$41,338	\$37,450	\$1,197	\$29,931	\$31,127	\$28,200	\$10,210	\$28,238	\$9,250	\$27,116
5	\$38,079	\$0	\$4,641	\$42,720	\$37,758	\$1,704	\$29,931	\$31,635	\$27,961	\$11,085	\$39,323	\$9,797	\$26,454
6	\$38,840	\$0	\$5,863	\$44,703	\$38,548	\$2,153	\$30,529	\$32,682	\$28,182	\$12,021	\$51,344	\$10,366	\$26,325
7	\$38,840	\$0	\$7,121	\$45,961	\$38,666	\$2,615	\$30,529	\$33,144	\$27,883	\$12,817	\$64,161	\$10,782	\$25,683
8	\$39,617	\$0	\$8,415	\$48,032	\$39,422	\$3,091	\$31,140	\$34,230	\$28,094	\$13,802	\$77,963	\$11,328	\$25,558
9	\$39,617	\$0	\$9,747	\$49,364	\$39,527	\$3,580	\$31,140	\$34,719	\$27,801	\$14,644	\$92,607	\$11,726	\$24,934
10	\$40,409	\$0	\$11,116	\$51,525	\$40,252	\$4,082	\$31,763	\$35,845	\$28,002	\$15,681	\$108,288	\$12,250	\$24,813
Total	\$384,745	\$0	\$53,405	\$438,149	\$380,564	\$19,613	\$310,248	\$329,862	\$288,123	\$108,288	\$108,288	\$92,441	\$271,769



<sup>1</sup> All assessed property taxes, including the taxes that are requested to be abated.

<sup>2</sup> Revenues other than property taxes, such as fees for service, etc.

<sup>3</sup> Marginal costs of providing services to new residents in the district.

<sup>4</sup> Property taxes requested to be abated.

**SUMMARY OF COSTS AND BENEFITS FOR: Topeka Metro Transit Auth.**

**PROJECT: Topeka Health System, LLC**

**DATE: 8/22/2017**

**DISCOUNT RATE: 2.50%**

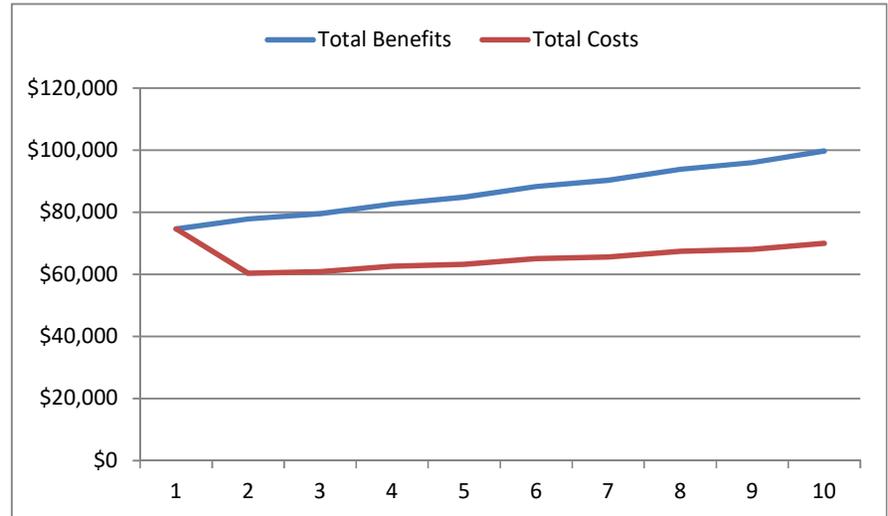
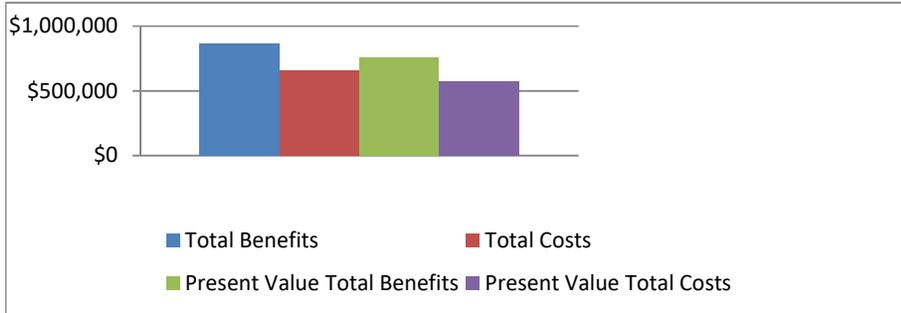
**Ratio of Actual Benefits to Actual Costs Over the 10-Year Period: 1.32**

**Ratio of Present Value of Total Benefits to Present Value of Total Costs: 1.31**

(Typical desired ratio would be 1.3 to 1)

**Average ROI 3.20%**

Year	Property Taxes <sup>1</sup>	PILOT Payment	Other <sup>2</sup> District Revenues	Total Benefits	Present Value of Total Benefits	Other <sup>3</sup> District Costs	District Property Taxes Abated <sup>4</sup>	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
1	\$74,621	\$0	\$0	\$74,621	\$72,801	\$0	\$74,621	\$74,621	\$72,801	\$0	\$0	\$0	\$72,801
2	\$76,114	\$0	\$1,691	\$77,805	\$74,056	\$507	\$59,827	\$60,334	\$57,427	\$17,470	\$17,470	\$16,628	\$56,944
3	\$76,114	\$0	\$3,358	\$79,472	\$73,797	\$1,008	\$59,827	\$60,835	\$56,491	\$18,637	\$36,107	\$17,306	\$55,555
4	\$77,636	\$0	\$5,075	\$82,711	\$74,932	\$1,523	\$61,023	\$62,546	\$56,664	\$20,164	\$56,272	\$18,268	\$55,284
5	\$77,636	\$0	\$7,226	\$84,862	\$75,006	\$2,169	\$61,023	\$63,192	\$55,853	\$21,670	\$77,942	\$19,153	\$53,936
6	\$79,189	\$0	\$9,129	\$88,318	\$76,156	\$2,740	\$62,244	\$64,984	\$56,035	\$23,334	\$101,276	\$20,121	\$53,673
7	\$79,189	\$0	\$11,088	\$90,277	\$75,947	\$3,327	\$62,244	\$65,571	\$55,163	\$24,705	\$125,982	\$20,784	\$52,364
8	\$80,772	\$0	\$13,103	\$93,876	\$77,048	\$3,932	\$63,489	\$67,421	\$55,336	\$26,455	\$152,436	\$21,713	\$52,108
9	\$80,772	\$0	\$15,176	\$95,949	\$76,829	\$4,554	\$63,489	\$68,043	\$54,484	\$27,906	\$180,342	\$22,345	\$50,837
10	\$82,388	\$0	\$17,309	\$99,697	\$77,883	\$5,194	\$64,759	\$69,953	\$54,647	\$29,744	\$210,086	\$23,236	\$50,589
Total	\$784,431	\$0	\$83,155	\$867,586	\$754,454	\$24,955	\$632,545	\$657,500	\$574,900	\$210,086	\$210,086	\$179,554	\$554,091



<sup>1</sup> All assessed property taxes, including the taxes that are requested to be abated.

<sup>2</sup> Revenues other than property taxes, such as fees for service, etc.

<sup>3</sup> Marginal costs of providing services to new residents in the district.

<sup>4</sup> Property taxes requested to be abated.

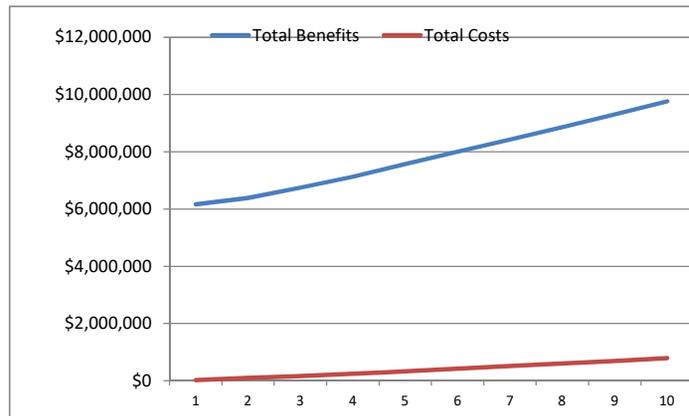
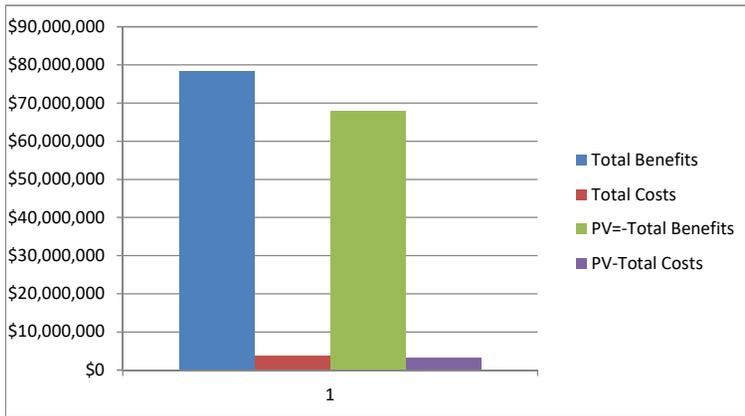
**SUMMARY OF COSTS AND BENEFITS FOR:**  
**PROJECT:** Topeka Health System, LLC  
**DATE:** 8/22/2017

State of Kansas

**Ratio of Actual Benefits to Actual Costs Over the 10-Year Period:** 20.16  
**Ratio of Present Value of Total Benefits to Present Value of Total Costs:** 20.88  
**Average ROI** 191.60%  
(Typical desired ratio would be 1.3 to 1)

**DISCOUNT RATE:** 2.50%

Year	Sales Taxes <sup>1</sup>	Property Taxes <sup>2</sup>	Corporate and Personal Income Taxes <sup>3</sup>	PILOT Payment	Other <sup>4</sup> State Revenues	Total Benefits	Net Present Value of Total Benefits	Cost of Various State Services <sup>5</sup>	Cost of Educating New Students <sup>6</sup>	Property Taxes Abated <sup>7</sup>	Other Costs & Incentives	Total Costs	Net Present Value of Total Costs	Net Benefits or Costs	Cumulative Net Benefits or Costs	Net Present Value of Net Benefits	Present Value of Taxes Abated and Incentives
1	\$5,114,751	\$26,650	\$1,020,653	\$0	\$0	\$6,162,054	\$6,011,760	\$0	\$0	\$26,650	\$0	\$26,650	\$26,000	\$6,135,404	\$5,809,904	\$5,985,760	\$26,000
2	\$5,271,275	\$27,183	\$1,083,075	\$0	\$3,301	\$6,384,835	\$6,077,178	\$1,300	\$75,651	\$21,367	\$0	\$98,317	\$93,580	\$6,286,518	\$12,096,422	\$5,983,599	\$20,337
3	\$5,552,895	\$27,183	\$1,158,566	\$0	\$6,283	\$6,744,928	\$6,263,336	\$2,474	\$143,972	\$21,367	\$0	\$167,813	\$155,831	\$6,577,115	\$18,673,538	\$6,107,505	\$19,841
4	\$5,846,230	\$27,727	\$1,237,044	\$0	\$9,353	\$7,120,354	\$6,450,689	\$3,682	\$214,327	\$21,794	\$0	\$239,803	\$217,250	\$6,880,550	\$25,554,088	\$6,233,439	\$19,744
5	\$6,190,040	\$27,727	\$1,330,364	\$0	\$13,378	\$7,561,508	\$6,683,272	\$5,267	\$306,536	\$21,794	\$0	\$333,597	\$294,851	\$7,227,911	\$32,781,999	\$6,388,420	\$19,263
6	\$6,528,632	\$28,282	\$1,431,290	\$0	\$17,082	\$8,005,286	\$6,902,933	\$6,725	\$391,427	\$22,230	\$0	\$420,382	\$362,494	\$7,584,904	\$40,366,903	\$6,540,439	\$19,169
7	\$6,847,549	\$28,282	\$1,523,897	\$0	\$20,895	\$8,420,622	\$7,083,977	\$8,226	\$478,795	\$22,230	\$0	\$509,252	\$428,416	\$7,911,370	\$48,278,273	\$6,655,561	\$18,701
8	\$7,182,231	\$28,847	\$1,620,838	\$0	\$24,818	\$8,856,735	\$7,269,135	\$9,771	\$568,697	\$22,675	\$0	\$601,143	\$493,386	\$8,255,593	\$56,533,866	\$6,775,749	\$18,610
9	\$7,517,748	\$28,847	\$1,722,309	\$0	\$28,855	\$9,297,758	\$7,444,979	\$11,360	\$661,188	\$22,675	\$0	\$695,222	\$556,684	\$8,602,536	\$65,136,402	\$6,888,294	\$18,156
10	\$7,869,534	\$29,424	\$1,828,469	\$0	\$33,007	\$9,760,434	\$7,624,836	\$12,995	\$756,325	\$23,128	\$0	\$792,448	\$619,059	\$8,967,986	\$74,104,388	\$7,005,776	\$18,068
Total	\$63,920,884	\$280,154	\$13,956,505	\$0	\$156,973	\$78,314,516	\$67,812,095	\$61,800	\$3,596,919	\$225,909	\$0	\$3,884,628	\$3,247,552	\$74,429,888	\$74,104,388	\$64,564,543	\$197,890



<sup>1</sup> Includes sales taxes from construction labor disposable spending, employee disposable spending and firm taxable purchases.

<sup>2</sup> All assessed property taxes, including the taxes that are requested to be abated.

<sup>3</sup> Estimated income taxes based on employee salaries.

<sup>4</sup> Revenues other than property and sales taxes, such as fees, etc.

<sup>5</sup> Marginal costs of providing services to new state residents.

<sup>6</sup> Marginal costs of educating new students in the state.

<sup>7</sup> Property taxes requested to be abated.

## Topeka Health System, LLC

### Other Economic Impacts of the Project

	<b>In the First Year</b>	<b>Over 10 Years</b>
Jobs Retained and Created	1,618	2,305
Related construction jobs <sup>1</sup>	90	846
Number of New Residents in the Community	0	625
Number of Additional Students in the Local School District	0	209
Increase in Local Personal Incomes	\$107,503,156	\$1,509,314,856
Increase in Local Retail Sales <sup>2</sup>	\$58,186,822	\$780,900,471
Increase in the Community's Property Tax Base <sup>3</sup>	\$8,000,000	\$146,574,030

<sup>1</sup> Temporary jobs of 8-12 months duration during construction work.

<sup>2</sup> Includes construction spending for labor and materials, employee disposable income spending and firm operating purchases made locally.

<sup>3</sup> Includes the value of new construction and the assessed valuation of properties that will be added to the tax rolls after the abatement period.

## **TOPEKA HEALTH SYSTEM, LLC**

### **COST-BENEFIT ANALYSIS ASSUMPTIONS:**

1. The project period is 10 years, with Year 1 of the analysis being 2018.
2. This project involves many real estate parcels. Some of the parcels will be exempt from property taxes until the proposed acquisition date of October 1, but will not be exempt after that date. Based on existing mill levies and assessed values, the total 2017 taxes will be approximately \$1,167,134. This amount is not included in the cost-benefit analysis.
3. Part of the 2017 taxes will be on parcels that are currently exempt and would not be collected if the sale did not occur. The firm is requesting a 1-year tax abatement for 2018 on the other parcels that are currently subject to tax in the approximate amount of \$578,779 to compensate for this. After Year 1, the requested tax abatement includes only the parcels that are currently exempt.
4. The firm will continue to employ the existing 1,618 employees with an average annual salary of \$66,442. These jobs are listed as new jobs on the Firm Inputs page because they would be lost to the community if the existing facility closed. The economic benefits of these jobs are included in this analysis.
5. The firm projects to hire an additional 687 employees during the 10-year project period, with average salaries that will increase to about \$87,000 by Year 10. This analysis assumes that 30% of the new hires will become new residents of the city and 40% will be new residents of the county.
6. The family size of the projected new jobs is assumed to be 2.99 persons, which is the average household size in Shawnee County for the 2010 Census. Therefore, the assumption is that there would be 1 new student in the school district for each new family in the city.
7. This analysis does not include any economic effects of people that may visit inpatients at the facility and make purchases of meals and/or hotels in the community. It is extremely difficult to predict those occurrences. Whatever does occur would have a positive effect on the ratios, but would not be significant in a project of this size.
8. The annual inflation rate is projected to be 1.5%, except that property taxes are projected to increase by 2% every two years.