

November 14, 2017
Garnett, Kansas

The Governing Body of the City of Garnett met in regular session on November 14, 2017 at 6:00 p.m. at City Hall with the following present: W. Gordon Blackie, Mayor; Jody M. Cole and Greg A. Gwin, City Commissioners; Chris Weiner, City Manager; Kristina L. Kinney, City Clerk; and Terry J. Solander, City Attorney. Also attending: Will Mechnig, ACHS Youth in Government Representative.

CALL TO ORDER

Mayor Blackie called the meeting to order at 6:00 p.m.

The Pledge of Allegiance was recited followed by Mayor Blackie giving the invocation.

APPROVAL OF MINUTES

A motion was made by Mayor Blackie, seconded by Commissioner Cole to approve the minutes of October 24, 2017 as written. On roll call, the following vote was recorded: Ayes – three; Noes – none.

A motion was made by Mayor Blackie, seconded by Commissioner Gwin to approve the minutes of October 30, 2017 as written. On roll call, the following vote was recorded: Ayes – three; Noes – none.

GOVERNING BODY REPORTS

Mayor Blackie thanked the military veterans for being good role models for our youth. He reported the French government presented the French Legion of Honour medal to Bill Brecheisen at the Veteran's Day ceremony, by French Consul General Guillaume Lacroix. He added this is the highest French order of merit for military and civil merits, established in 1802 by Napoleon Bonaparte. Commissioner Gwin stated it was very impressive.

Commissioner Cole congratulated employee of the month Susan Weststein. She also thanked the department heads for their reports.

Commissioner Gwin stated there is no audio on the website of the budget hearing on October 17, 2017. He recommended that the public listen to that recording once it is online.

Will Mechnig said he had nothing to report but is looking forward to the discussion on the water treatment plant. He is doing a report for the students.

REGULAR BUSINESS

Jacob Eads, High Tech Relief Center, gave a presentation on their proposal to network city facilities, replace the server, computers, security software and offsite backup service. Their proposal was \$10,239.01 in equipment, cabling and networking, and \$500.00 per month for managed IT support. The governing body authorized the city manager to proceed if this is needed as long as funding is available in the budget.

Ordinance # 4194 was read as followings: AN ORDINANCE VACATING A PART OF THE PUBLIC STREET RIGHT OF WAY, DESIGNATED AS “CATALPA STREET” ON THE PLAT OF THE MAGGIO ADDITION TO THE CITY OF GARNETT, KANSAS, LYING ALONG THE WEST SIDE OF LOT TEN (10) OF SAID ADDITION; RESERVING THE UTILITY EASEMENT IN A PART THEREOF; PROVIDING FOR THE RIGHT OF INTERESTED PERSONS TO PROTEST AND FOR THE RECORDING OF THIS ORDINANCE AS A PUBLIC RECORD, PURSUANT TO K.S.A. 14-423. A motion was made by Commissioner Gwin, seconded by Commissioner Cole to approve Ordinance # 4194 as written. On roll call, the following vote was recorded: Ayes – three; Noes – none.

Discussion was held on the Water Treatment Plant rate review. Commissioner Gwin questioned the annual revenue base number remaining the same but the usage diminishing each year. City Manager Weiner stated since 2013 there has been a gradual 2.7% reduction of usage each year in residential and 1.8% reduction in rural water usage. He expects that trend to continue moving forward due to population and business loss and possibly less water usage since we’ve not had extremely hot summers. Commissioner Gwin questioned how the annual water loss in 2016 of 4.4% compared within the industry. City Manager Weiner stated water loss of 4.4% is extremely good. Kansas Department of Health & Environment (KDHE) has an issue when we exceed 10% in water loss. KDHE regulations force providers to do something about their system once the water loss reaches 30% to 40%. When water loss is up to 20% to 30%, providers sometimes are able to secure grant funding.

City Manager Weiner reported that there will be a meeting with the PEC Engineer tomorrow at 4:00 p.m. and he invited the governing body and incoming commissioner Brigitte Brecheisen-Huss to attend.

City Manager Weiner reported he has met with a second engineer, Mr. Coltrane who has local ties who is familiar with our water plant and wanted to make sure we were looking at a second opinion and going the right path. They toured the water plant and Mr. Coltrane is reviewing the plans. He felt we could get the new plant substantially cheaper than what Professional Engineering Consultants (PEC) has proposed. So we are looking at some alternatives.

Commissioner Cole stated we need the water plant but we need to be very diligent in terms of checking prices to get the best pricing that we can since this will be a large project. She stated the letter from Kansas Rural Water Association (KRWA) indicated that they have people with decades of experience and questioned if we have reached out to them. City Manager Weiner replied that KRWA is going to send someone here to give us another opinion to see if some of the plan is excessive and could be curtailed back. He added that he has worked with PEC in the past and doesn’t feel that they would lead us down the wrong path, but it is always good to get a second opinion to see if there are other options.

Commissioner Cole questioned PEC costs estimates increasing and questioned if there is a point where the cost could be locked in. City Manager Weiner stated that the engineer projected costs are an estimate. Even if the bid comes in at \$13 million inflation could move those costs.

Commissioner Gwin stated he believes that KRWA could add a lot. Burlington built a new water plant that did not perform up to its labeled rating. It is scary to spend that kind of money and then it only produce half of what it's supposed to. KRWA should have the information on what has worked in various places.

Commissioner Gwin stated his concern on the rate analysis is comparing what the water price is for everyone around us, and that the rural water districts move their purchases to another provider. City Manager Wiener said he has the data on surrounding water rates and will have a report at the next meeting. KRWA proposed increasing the base rate charge substantially which will provide more stability. The proposed rate would get us to where we need to be to bring in enough revenue. Commissioner Gwin questioned if there have been discussions with the rural water districts because some of them have a choice on where they buy their water. City Manager Wiener stated he has not met with the water districts yet. He has been reviewing the rural water district contracts and he wants to discuss those with City Attorney Solander.

Brigitte Brecheisen-Huss, citizen, stated we need to keep in mind that doubling the rates is going to be tough for people to handle. We need to look at options for the water plant. This problem is not uncommon right now. In 2016, Congress commissioned a non-profit organization to find cost effective ways for communities to address their aging water infrastructure. Their report was released last month and contains a lot of great information. The KRWA report had variable expenses that showed in 2016, it would only have cost us \$3.32 in usage to cover our costs, and we are currently charging over that at \$5.90 without the proposed increase. The report showed the fixed expenses in 2016 should be set at \$19.08 and that is where we are behind on our rates. Their report showed that with the cost of the water treatment plant at \$13 million, we would need to increase our minimum base charge an additional \$25.00. We were ahead in our usage charges and only behind in our minimum base charge. We have not increased rates for several years so we were recouping any loss in the minimum base charge in our usage charges. The report indicated that a usage rate increase wasn't necessary unless we wanted to add an additional 25¢. They also indicated on the report that we could shift the cost of the additional \$25.00 in the base charge. We could shift some of the cost into the usage rate to balance that. They also quoted this for a 40-year loan. We've been discussing here to have a 20-year loan. Borrowing long-term for these types of infrastructure investments makes economic and financial sense for a small customer base. A 40-year loan is not unreasonable. It is okay for large infrastructure investments to have pay as you go because they are using it and getting the same benefit out of the plant. It's okay to stretch that over 40-years given that our base is so small, so customers don't have to take that much of a hit initially. This also ensures that future users will contribute to some of the costs as well. In addition, paying over a long period will make it feel as if we are paying less once we get closer to the 40-years because of inflation. Doubling rates outright disproportionately affects low income and fixed income individuals. The poverty rate in Garnett is approximately 22.4% which is substantial. Doubling rates is a hard hit for those low income and fixed income individuals. Doubling the rates does not guarantee the revenue as City Manager Wiener stated. It will increase revenue volatility if there are enough people who reduce usage because they can't afford to pay the new rate. She said she is speaking on behalf of those people who are going to struggle with this because this is not going to be easy for anyone. She believes we need to look at a 40-year payment plan, or at least a longer term than 20-years.

Mrs. Brecheisen-Huss stated we also need to consider looking at different options for payments as opposed to just a tax exempt municipal bond. We should look at the Kansas Public Water Supply loan fund or federal loans. Those long term treasury rates actually remain below comparable maturity rates for the tax exempt municipal bonds. This would reduce cost to the borrowers because we would pay less in interest rates. She said the calculations are around 2.75% interest rate and what she saw in a report yesterday was that we could get around 2.1% on the Kansas loan fund and every little bit is going to help. In addition, the State revolving loan fund has monies that they could put towards the loan to subsidize it, so we might offset some of the cost through their different perks.

Mrs. Brecheisen-Huss stated if we are going to look at increasing the rates, it would be worth looking at different rate structures. Some communities have tiered rates. They don't charge per 1,000 gallons but charge by cubic feet and have it based on 736 cubic feet. If a customer uses less water they pay less per cubic feet. The tiered structure gives people on a fixed income the opportunity to save some of their cost. An example would be tier one (1) might be \$2.00 per 736 cubic feet of water. Tier two (2) would be set at a different rate for higher usage. We might also look into a tiered structure that promotes water conservation. She said all options need to be looked at opposed to just doubling rates right away.

Mrs. Brecheisen-Huss stated we need to look at transferring money out of the water fund. It's important that the money we bring in through our utilities is put back into those utilities and not transferred out of the utility fund to pay for other things. If we have to use money out of the utilities to pay for other things, then we've over extended ourselves in other areas of the budget. Had we kept more money in our utility funds we would be in a better position to handle this and wouldn't have to look at putting all of the costs of this loan onto our customers. It is important to be good stewards and not just jump to doubling rates, but maybe slowly increase rates. She said she does not think that is the appropriate response. The report from KRWA also says that is not necessary and we don't need to do that because our usage rate is already above what we would need to pay for that infrastructure. What is proposed on doubling the usage rate is significant. She recommended also reading the report that came out of Congress. They have a lot of great, innovative ideas.

Commissioner Gwin stated that City Manager Weiner's report states that the tax exempt bonds might be changing through the Senate right now so it might be worse. The KRWA report on rates if more volume is used, is cheaper than the proposed rate by the city now on residential. He hasn't looked at the other rates yet. The single households that don't use the volumes are the customers under the KRWA proposal that take the biggest hit. Mrs. Brecheisen-Huss agreed that KRWA was putting all the cost on the minimum base charge and we don't have to put all of that on the minimum base charge. Some of the cost could be put on the variable usage. We could bring the minimum base charge up to \$20 to make it comparable and put the rest on the variable usage. She said there is a way to play around with the numbers to pay for this, and do it in a way so as not to hurt all the customers.

Mrs. Brecheisen-Huss stated she is not sure why there was a switch for the wholesale customers. The report stated a \$50 base charge as opposed to \$255 for 60,000 gallons. That is substantial for a rural water district for the wholesale customers. For the same amount of water to get to the rural

water customers would cost \$410.00 as opposed to the \$255.00 for 60,000 gallons of water. In addition rather than paying \$4.25 per 1,000 gallons it is proposed at \$6.00 per 1,000 gallons. That is significant. Commissioner Gwin stated his biggest concern is that the rural water districts will change suppliers.

Mayor Blackie stated this is a very important decision that governing body is going to have to make. He asked if anyone else had any comments.

Ken Amaya, Water and Gas Director, said we have to come up with something on the plant. We need water to survive. He said there is no doubt the water plant has passed its lifespan. He said he thinks some people got the impression at the last meeting he attended, when the PEC engineer was here, that he was here on their behalf. He stated he was not advocating for them but was stressing that the City needs to do something. It's going to be a tough decision but we have to look at this moving forward. He hopes we can figure out a way to get this done. He invited the governing body to come to the plant so he can show them the plant.

Commissioner Gwin questioned what is the lifetime that water plants are built for. That is a concern on financing out 40 years. City Manager Weiner stated they are built to last 20 years.

Mr. Amaya stated when this started, Ponzer and Youngquist came in and said it could be done for \$6 million to \$8 million and then down the road it's going to be \$13 million. So the previous city manager changed engineers to PEC. PEC said the same thing that we can do this for \$6 million to \$8 million and a few months down the road we're back up to \$13 million. He said he met with the previous Water Plant Superintendent, Jim James, last week who said we can build a plant for half of what they are trying to do. We don't need anything fancier than the type of plant we have now. We can still do the chlorine plant like most communities in Kansas do. He said looking ahead like adding the UV piece, no one else in Kansas is doing that yet. It's legal to do but we would be the first water plant in Kansas to do that. He said he asked Mr. James if we need anything more than what we already have to operate our plant, and he said no we don't. We don't need a fancy brick and mortar structure that adds millions of dollars to the project. We could build an Esh Quality Structures style of building with a simple concrete floor that has the indoor sediment basins in it. We could build a better system than what we have, but yet basically what we have currently. We can produce 1.1 million gallons of water capacity right now, and it would be nice to be able to produce 1.5 million gallon capacity. We are not growing as a town, but have actually decreased our population. Another engineer with local ties said the same thing that we can get this built for \$6 million to \$8 million without added extra in there. He said that Jim James stated there is no reason that we can't build another plant for \$6 million to \$8 million which would be a lot easier for financing. He said as more time goes on, more concrete is falling off the tops of the basins into the basin. The plant may continue another 5-years, and this process is going to take 2-years to 3-years before the new plant is completed.

The governing body stated they appreciated his comments. Commissioner Gwin congratulated him on 4.4% water loss. Mr. Amaya stated there are leaks out into the system since we have lines in the ground from the early 1900s but they stay on top of the leaks that we know about and fix them immediately.

Commissioner Cole requested that we have KWRA representatives come as soon as possible so we can get their input as well as Mr. Coltrane. City Manager Weiner will contact KWRA and Mr. Coltrane to see if he has had a chance to review the information.

Commissioner Gwin stated if we can move ahead on this, we can roll the engineering costs into the financing which will make it a lot less painful for the City initially. City Manager Weiner stated the \$13 million includes the entire \$831,000.00 engineering costs, including the \$131,000.00 we've already paid. The money we pay before the financing will be coming out of our budget and reserves. The rate increase would eventually help to try to rebuild those reserves. He said next year he budgeted \$770,000.00 coming out of the reserves for this design cost. We will almost be in \$1 million toward the plant cost.

Commissioner Cole asked Will Mechnig if he had any questions since he was going to do a report on this project, to which he replied he didn't.

Commissioner Gwin stated a city employee brought up that our taxes should be increased, and that we are 1 mill lower currently than what it was 10-years ago. He said he explained that there have been a lot of purchases made and a lot of projects completed. He didn't feel like the governing body was neglecting things needed, and kept the mill levy low. He encouraged the public to listen to the audio of the meeting on October 17, 2017 once the audio is up on the website. Through the course of the past 10-years in the report that city staff put together, we've spent \$18,300,000.00 on debt payments, lease payments and capital improvements. This averages at \$1.66 million each year in debt service, lease payments and capital improvements. In his opinion he doesn't feel that the governing body has neglected the City needs and still maintained a constant mill levy.

Commissioner Gwin reported our debt as of January 1, 2007 was \$8,159,000.00. Debt on January 1, 2017 was \$5,116,000.00. Our debt is down \$3 million in that same 10-year span. Our reserves on January 1, 2007 was \$8,150,000.00. Reserves on January 1, 2017 was \$6,860,000.00. Our reserves are down \$1.3 million but our debt is down \$3 million. We've spent \$18.3 million in debt payments, lease payments and capital improvements. He doesn't think things are quite as grim as some people may think.

Mayor Blackie thanked Commissioner Gwin for this and said it was very enlightening.

A motion was made by Commissioner Gwin, seconded by Mayor Blackie to approve the semi-monthly claims in the amount of \$300,428.02. On roll call, the following vote was recorded: Ayes – three; Noes – none.

INFORMATIONAL ITEMS

Commissioner Cole said she appreciates the information in the department head reports.

Commissioner Gwin stated in City Clerk Kinney's report, the governing body authorized the City to pursue getting the Santa Fe Depot and the North Lake Park on the Historic Register and that was never done. That among more recent things, the governing body approved the 2017 street paving projects which was altered; the governing body approved the 2018 sewer plan which was scrapped for 2018; and the governing body approved the purchase in 2017 of an electric truck and

that is scrapped at this moment. He questioned what the relevance of these meetings are if the decisions made in these meetings are not followed through.

City Manager Weiner said he can't speak to the historic register. He stated the governing body decided to hold off on the sewer plan because of the extensive expense in the engineering fee we were looking at for the water treatment plant. We were planning to spend about \$500,000.00 in 2018 for the sewer line renovation and it was articulated to him that the governing body would rather not do that given that we were going to spend \$750,000.00 on engineering design fees for the new water treatment plant. He put \$50,000.00 in the 2018 budget so we can run some sewer lines with the camera. Some of the work can get lined up so that in 2019 we hopefully can get some of the work done. On the electric digger derrick truck, the first line truck out right now is about 28 years old and is in bad shape and needs to be replaced. There is a lot of rock in town and when we have to set poles and hit rock, our digger derrick is in bad shape. We have two (2) digger derrick trucks and the other truck is older than this truck at about 43-years old. A new truck is \$225,000.00. Realistically the truck would be a lease purchase and he doesn't believe we would get an advantageous interest rate at the moment. He hopes to have a grant proposal for the governing body to approve at the next meeting for a United States Department of Agriculture (USDA) grant of \$50,000 to purchase three (3) vehicles. He plans to use that same program every year. Next year he will apply for the digger derrick. If we get \$50,000.00 and we're setting aside \$25,000.00 in the equipment reserve fund for electric next year, that gives us \$75,000.00. We will need another \$150,000.00. If at the end of the year we have some budget left in reserves that we could use toward this purchase, without having to go further in debt and pay interest on it. He would prefer to not have debt financing and the interest if we can avoid it.

City Manager Weiner said based on his discussions with the contractor and City staff on the street, he didn't feel the plan as approved would be a cost effective use of City dollars. The plan was to do a leveling course and hope the County comes back and helps us next year with a chip and seal in order to seal the street. Based on his conversations with the contractor and City staff, they felt that by next year a lot of the leveling course would be washed out by the time we came back in next year and tried to chip and seal it. His assessment was based on the subject matter experts that we were better off doing a complete overlay rather than the leveling course, which at some points would be extremely thin and crack right back out. He apologized for making the change without bringing it back before the governing body to make sure everyone agreed. He said he does see value in these meetings and he tries to carry out their wishes to the best of his ability. He said when they provide him with guidance and set policy, he does whatever he can to see that through.

Commissioner Cole stated that the street project was agreed to prior to City Manager Weiner's arrival here. She said after the city manager visited with the street department and the contractor, that is when he came back and informed the governing body that this might not be a good use of those funds. It might have been after the fact of when he made that decision, but the city manager did come back and gave them that information.

Commissioner Gwin stated he understands the city managers point of view and we've never tried that before. He would have liked to have seen it through to see how it worked out for us. The historical subject gave him good insight on this and he wants the meetings to be relevant and that

they are not just up there wasting their time making decisions and then it's not carried out. There was a trend heading that way, so he would like to head it off.

City Manager Weiner stated on the historical information, he does plan on having City Clerk Kinney retrieve those documents when she has time. If she doesn't have time we'll send someone to obtain those documents because it is something we need to get started on. We'll make sure we get that under way. Commissioner Cole stated she is really interested in this historical part, so she would be more than willing to go help get the documents.

The general report of City Manager Christopher T. Weiner was received and discussed, a copy of which is attached hereto and made a part hereof.

City Manager Weiner reported that Commissioner Cole would like to receive the agenda a week ahead of time. The governing body agreed to have the agenda and reports sent out a week earlier and the semi-monthly claims could be sent on the current schedule.

Commissioner Cole requested we schedule a time to meet to review the code book and personnel policies. City Manager Weiner said staff has been correcting spelling errors and then we can schedule a workshop to go over the code book.

Mayor Blackie reported that Susan Wettstein was recognized as employee of the month.

City Manager Weiner reviewed the October financial report.

Mayor Blackie announced that City office's will be closed Thursday and Friday, November 23rd and 24th for the Thanksgiving holiday. The Christmas parade is on Saturday, November 25th at 6:30 p.m. The City staff Christmas party will be held on Friday, December 15th at the Knights of Columbus at 5:30 p.m.

EXECUTIVE SESSION

Commissioner Gwin stated he would like an executive session for 5-minutes to discuss personnel with City Manager Weiner and the Commissioners.

At 7:39 p.m., Mayor Blackie declared the meeting adjourned for a 5-minute executive session beginning at 7:40 p.m.

At 7:45 p.m. Mayor Blackie called the meeting back to order and reported no action was taken.

There being no further business to come before the Governing Body, Mayor Blackie adjourned the meeting at 7:45 p.m.

s/ W. Gordon Blackie
Mayor

Attest:

s/ Kristina L. Kinney
City Clerk