



City Manager's Report

February 27th, 2018

Honorable Mayor Cole and City Commissioners Gwin and Brecheisen-Huss,

This past Tuesday I participated in a conference call – didn't go in person due to the weather – with individuals from the Kansas Department of Health and Environment (KDHE), the United States Department of Agriculture Rural Development (USDA-RD), our engineers Profession Engineers Consultants (PEC), and the Kansas Rural Water Association (KRWA) in an effort to come up with a good idea as to our options with financing for the proposed new water treatment plant facility. While this conversation was important, it unfortunately did not provide us with any significant good news. The USDA is currently working on running some numbers for us to come up with what our financing options will possibly look like from them and they hope to have them available for us late Friday, in time for the community meetings on Monday. The USDA loans are forty-year loans with fixed interest rates that can change each quarter. Currently, the USDA interest rate available to us is 2.75% but this is likely to go up with the anticipated interest rate increase from the Federal Reserve in March (and then again in June if we don't have something locked up by then). The USDA has some grant money available but the size of our community, our significant customer base, and the size of our project all count against us in this realm. In fact, the USDA representatives articulated significant concern about our project as the cost of it would require the majority of their statewide grant funding for the year. The KDHE issues twenty-year loans at a lower fixed interest rate which can adjust monthly rather than quarterly. This month's rate from KDHE would be 2.1%. The KDHE does not offer any grants, but does offer principal forgiveness for some projects - unfortunately, our project will not qualify for any principal forgiveness. In both cases, we can apply for outside grant funding from the Kansas

Department of Commerce's Community Development Block Grant (CDBG) program. The maximum amount of a CDBG grant we can obtain is \$700,000. The next round of CDBG proposals will likely be due by the end of September to be awarded in January of 2019. The loan application process with both KDHE and USDA typically requires around two months to finalize. If we have successful community meetings and emerge still desiring to move forward with the existing plan, I recommend we wait to see what USDA is going to be able to offer us in terms of grant financing. I believe if we are able to obtain a significant grant from USDA, this would be the best option. Even though it is a forty year loan term, we can make payments as if our goal is to pay it off in twenty years which would be my recommendation. In the event we are unable to obtain any grant financing through USDA, I would recommend that we move forward with a loan from KDHE as they offer a substantially lower interest rate.

I have spoken with each of our rural water districts and discussed our plans to build a new water treatment plant and the potential rate increases that go along with that. We had good conversations and I believe everyone understands the situation, although they obviously dislike the rate increase. The potential rate increase could cause these customers to look for alternative supplier for their water needs, so this obviously is a concern when looking at the overall rate discussion. I have provided a potential rate increase structure to at least get the rate increases started as I believe it will be better for the utility and our customers to go ahead and increase rates now, where we have the ability to gradually increase rates rather than hit our customers with a large rate increase all at once. These proposed rates are substantially lower than the previously provided twenty-year repayment rates as I am making some assumptions which may not come to pass, namely that the ethanol plant's tax appeal is finalized as it currently sits as well as that we are able to increase our revenues in other utility funds by addressing rates in those utilities as well and hopefully bringing on some additional customers.

I recently met with Mr. Weiss regarding his claim for damages on the water leak situation from last month and he showed me his financial books to verify that his numbers were accurate in terms of a five-year average of his business income. He indicated a desire to keep his books as private as possible out of respect for his clients' privacy. Based upon this verification, we came up with a slightly different amount of \$406 for a five-year average of wages over this time period.

I also discussed with him the issue of paying for both lost income and expenses which would have been paid for from that income. Mr. Weiss understood our concerns regarding this situation and is willing to accept whatever the City decides. Therefore, my recommendation is that we settle this claim with Mr. Weiss for an amount of \$406 – which will provide him with an amount approximately equal to his expected income for this time period as if the situation had never occurred. I also recommend approval of the Transient Guest Tax funding request from the Chamber Players Community Theater in the amount of \$3,202.70 as the Tourism Committee has recommended it for approval as well.

We received two proposals for the videoing of our wastewater lines based upon the request for proposals that we issued a few weeks ago. The low bid was from Midwest Drain and Sewer (MDS) for \$21,464. MDS was also the last contractor the City used for this service back in 2015. Based upon the advice of our wastewater engineer, Jay Norco, and Director of Sanitation and Transportation, John Olson, we have accepted MDS's proposal as they have performed quality work for the City in the past. This proposal came in significant under our anticipated amount of \$30,000 as mentioned in my last report.

Our employee of the month for last month is Nancy Hermreck. Nancy has been tirelessly working to learn her own job in human resources as she started in her position less than a year ago. Nancy has always went above and beyond, but especially this past month as she has stepped up and worked countless hours to help out with building the new budget. She is always assisting other departments with whatever they need and always has a positive and constructive mindset. Nancy is a quick learner and team player and I am glad to have the opportunity to work with her and all of our terrific employees. Upcoming in April is the Governing Body Institute and Mayor's Conference. This is a two-day (Friday and Saturday) training for Governing Body members put on by the League of Kansas Municipalities. I have attached the agenda for your review. Please let me know if you are interested in attending and we will get you registered and a hotel room.

As always, please let me know if you have any questions and I appreciate the opportunity to serve you and this wonderful community as your City Manager.

Sincerely,

Christopher T. Weiner, City Manager