



City Manager's Report

February 26th, 2019

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

As you know, we've had a slight turn of events as Mrs. Jennifer Runyan, the anticipated hire for our next City Clerk as I announced at our last meeting, has withdrawn her candidacy from the position. Mrs. Runyan chose to stay with her current employer due to a counteroffer that she could not decline. Therefore, I offered the position to the next top candidate, our own Travis Wilson who has been serving in the same capacity for three months now. Travis has accepted the position and just as he has done an excellent job thus far, I know he will continue to grow and excel in this position. We have begun advertising for the now open office clerk position. As I mentioned in a message to you following our last Commission meeting, the chlorine dioxide machine which has been down at the water plant, has been fixed. We were able to fix the machine rather than purchase a replacement thankfully; which has significantly reduced the cost. Being able to repair it was not expected when the issue first popped up as the individuals who can repair these machines are few and far between now and parts are no longer manufactured. Given the recent adoption of the 2018 building codes, the City has now been upgraded to an ISO rating classification of five (5) from the current nine (9), or the ten (10) we would have been at without adopting the newer codes. The Natural Gas Prepay Agreement that we've previously discussed and have been waiting on a final document has been delayed until somewhere in the June-August timeframe. This is primarily due to the financial market conditions becoming unfavorable for these type of programs late last year and early this year. This was due to a number of factors including the stock market downturn, the government shutdown, and the trade war with China. Fortunately, the markets have stabilized and these type of projects are now moving forward. The

company completing the financial transactions, the Royal Bank of Canada (RBC), just completed one of these prepay contracts (that was ahead of us in the queue) earlier this month at a discount of just over thirty (30) cents. I'll obviously keep you informed of any other changes in timeframe. Another contract that we will be seeing come up here shortly is our contract with the Southwestern Power Administration (SPA) for hydroelectricity. SPA is a very small portion of our electric portfolio but it has historically been one of our cheapest and best sources of electricity. It, being hydroelectricity, also positively contributes to our ability to claim renewable energy credits (REC's) which generate us a little bit of revenue right now, but if we lose too many of them, we will have to buy them. Our current SPA contract expires at the end of May and we are awaiting their renewal documentation. I'll obviously get it on an agenda for your review and consideration as soon as possible given the short time frame we'll be facing. We reached out to Trent McCown with the Kansas Department of Wildlife, Parks, and Tourism and he indicated that they are still working on getting the pay stations removed along the Prairie Spirit Rail Trail. They have posted notices at the self-pay stations, removed pay envelopes, and changes out trail signage that they can produce locally. They are going to look into covering the remaining information stipulating that fees are required for trail usage as posted on the big Kiosk sign until a new sign can be made. He indicated however that due to state signage issues it may be a while before the new sign is made and installed. As previously mentioned, this could have a positive impact on property insurance rates for our residents and businesses if their respective insurance companies utilize the ISO classification in their rate setting formula. We are in the process of submitting a KaBoom grant proposal for an innovative play area adjacent to the Depot. We are also looking into a grant for starting a bike share program similar to lola's.

The first item on this meeting's agenda is a proposal from an architectural firm regarding the structural issues and potential remodel of the police department as previously discussed. As I mentioned last meeting, we had proposals from this and another company and this company has proposed the cheapest price along with actually indicating interest in our project and challenges. Item B is the consideration of an agreement with the Long Cedar Disc Golf Club for usage and upkeep of the course and park lands. Item C is the consideration of a cereal malt beverage application from Pyramid Foods, more commonly known as Country Mart. City Attorney

Solander has reviewed the application and the Kansas Bureau of Investigation (KBI) has conducted the necessary background checks. Given that the application has passed both of these steps, I recommend approval of the application. Item D is consideration of the ordinance amending our existing regulations to conform with new State Statute set to take effect April first (1st). The State law is changing to allowing retail establishments other than those with a liquor license to sell cereal malt beverages, or beer, with an alcohol content of up to six percent (6%). Items E and F are the two ordinances rezoning the two parcels of land adjacent to the Anderson County Hospital which has been discussed previously. We have sent out letters to all property owners within two hundred feet of the property in question, informing them that the Planning Commission has recommended approval to the City Commission and that the City Commission will consider its passage at this meeting. We wanted to make sure all those directly impacted were made aware that they have yet another opportunity to speak, or submit written testimony, prior to a decision being made. The bills and payroll this past cycle total \$175,608.43.

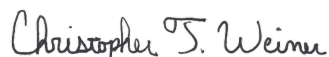
The financial report for January has a couple of different charts as you will notice. This is due to my normal charts show a monthly comparison throughout the year, but with only one month of data, this was obviously not possible. Therefore, I have compared the same data points as usual to last year's same month data instead. Overall, our January this year is very similar to last year. The main differences show up in general fund expenses (less this year due to no medical insurance costs billed or paid as of yet), gas utility revenues (more this year due to colder temperatures and more usage), gas utility expenses (more this year due to the same reasons listed above and transfers to subsidize the public safety fund have increased), and water utility expenses (less this year due to not having paid for property insurance for the water plant or utility expenses yet). I have compiled a comparison between 2017 and 2018 on our wholesale power purchases. You will notice that our average cost per kWh was about the same (increased in 2018 by less than 1%), but our usage was significantly higher (an increase of 6.5%). This usage increase was largely due to a warmer summer. The main difference in our purchases was that we bought significantly more power off of the market in 2018 than we did in 2017. In 2017, we actually purchased more energy than we utilized because we had more energy locked into our portfolio than we ended up needing. As such, we allowed the KCPL Peaking product, our most expensive product, expire

without renewal. This increased our exposure to the marketplace (more volatility) but it resulted in a very positive outcome, allowing us to purchase energy at an average price of \$0.03547 per kWh compared to the \$0.07434 per kWh we were averaging with that fixed product last year. Last year, with the increased market exposure, approximately eleven percent (11%) of our energy was purchased off the market. I would expect this number to remain around ten percent (10%) this year which is still favorable in my opinion as the market is still showing attractive pricing. This current portfolio gives us a good barometer of our expected cost and therefore budget for wholesale electric purchasing.

We have received our final inspection report on the Cedar Valley Reservoir Dam and overall the dam is in good shape. The last year saw a couple of significant rain events which have caused some damage that we need to get repaired. The report also outlines a few other issues that need to be resolved – such as cedar trees growing in the spillway. I have spoken with Director Amaya regarding the report and his staff has it planned for completion later this spring or summer. Vyve has sent us notification that they will increase their rates come April first (1st) on their equipment rental fees by a quarter (\$0.25) per month. This April is the Leadership Summit and Mayor's Conference in Salina. I plan to attend as attendance at the Leadership Summit is the last remaining piece I need to graduate from the Municipal Training Institute's (MTI's) Level One (1) Program. This will be something I plan to continue to send our staff to in coming years as they also complete the training requirements and earn their MTI graduation. I encourage each of you to attend as well if possible as this training program is open not just for appointed city staff but elected officials as well. Clean up weeks this year will, like usual, follow our city-wide garage sale weeks. Spring clean-up week will be April 15th through the 19th and the Autumn clean-up week will be September 16th through the 20th.

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

Sincerely,



Christopher T. Weiner, City Manager