

City of Hays
City Commission
Work Session Notes
Thursday, July 16, 2015 – 6:30 p.m.

Present: Eber Phelps, Shaun Musil, James Meier, Lance Jones, John Bird, Toby Dougherty and Kim Rupp

The attached list includes all that were in attendance at the Work Session and Public Meeting.

July 2, 2015 Work Session Notes

There were no corrections or additions to the minutes of the work session held on July 2, 2015; the minutes stand approved as presented.

Public Meeting for Wastewater Facility Plan Discussion to Meet SRF Terms and Conditions

It is necessary to hold a public meeting to discuss the Wastewater Facility Plan to assure compliance with the terms and conditions of the State Revolving Fund (SRF) Loan.

Finance Director, Kim Rupp, reviewed several funding options for the wastewater treatment facility. He explained lower interest rates and other benefits the SRF Loan offers in comparison to General Obligation Bonds or Utility Revenue Bonds.

Stan Christopher, Project Manager with HDR Engineering, Inc. who is providing the Owner Representative services for this project, presented the details of the wastewater facility plan to the Commissioners and the public. (Slides of the presentation are attached to these Work Session notes.) He explained the aging wastewater treatment facility was originally constructed in 1953 with upgrades in 1967 and 1992. Kansas Department of Health and

Environment (KDHE) has placed new, much tighter discharge limits and the facility we have in place is not able to meet those discharge limits.

Mr. Christopher discussed the new proposed effluent limits, the evaluation of treatment alternatives, the evaluation of procurement alternatives, the costs to construct the recommended alternative, the costs to operate the facilities, and the anticipated impacts on the sewer user rates. Environmental impacts of the proposed project were also discussed.

Mr. Christopher stated some structures at the current facility have served their useful life and are not available for reuse.

Commissioner Schwaller asked what would happen to these structures.

Mr. Christopher stated that we can find uses for the structures that have a useful life. At this point, a decision has not been made. They may be demolished or left standing and removed from service, to be available for some other use in the future.

The size of plant needed was discussed and data was presented for population projections and flow projections per capita.

Mr. Christopher stated one of the things that they are building into this facility is enough capacity in those treatment units to be able to handle any tighter discharge limits in the future with minimal change.

Commissioner Schwaller stated that we do not know what regulations are going to be like in 10 years, we know they will be strict, but it would be difficult to design a plant for 10 or 15 years because we don't know what regulations or population will be, and it doesn't matter what it is going to be because the equipment will have to be replaced in 10 to 15 years.

Commissioner Musil commented that we are building so we can adapt to future changes.

Bernie Kitten, Director of Utilities, added that if you oversize and get a wastewater treatment facility too big with their biological treatment they don't work as well.

Mr. Christopher explained currently the biosolids that come off the plant are hauled to fields in thickened liquid form. They are looking for ways to reduce

that water significantly which would reduce the trips to the fields. The advantage to this is less trips to the farm fields and the ability to store the biosolids on site.

Commissioner Meier asked if the biosolids are sold to farmers at a profit, and wondered what the benefit is to the City by updating the equipment and making the biosolids more of a solid by taking additional water out of it.

Roger Moerke, Wastewater Superintendent, responded that we are currently hauling basically 98% water which is a lot of loads to the farm fields and we don't have any capacity for storage so this would give us a lot more flexibility if we went to cake, which is a de-watered biosolid. He stated it is an expense to haul this and we do not get paid for it by the farmer.

Mr. Christopher explained that the financing being considered by the City is a Kansas Water Pollution Control Revolving Fund Loan, 20 year amortization, 2.15% to 2.25% interest fees, no closing costs, financing interest during construction and the City is anticipating applying for 100% loan in the amount of \$30,260,000.

Mayor Phelps asked if there was anyone in the audience that had questions or comments.

There were no public comments.

Commissioner Schwaller stated the membrane technology has changed a lot in the last 10 years and asked if it is second or third generation. He is concerned with longevity and obsolescence. He asked if it is possible to think if we buy a certain kind of membrane technology it would last 10 to 15 years without becoming obsolete.

Mr. Christopher commented that HDR has been designing membrane plants for more than 15 years and there has been significant improvements in membranes. He stated the City should negotiate replacement costs when the membranes are purchased. There is no guarantee that the company will still be in business in future years.

Bernie Kitten, Utilities Director, stated the City wants to get the latest technology.

Chairperson Phelps stated that there were no more questions and that concludes the public meeting.

Kim Rupp, Finance Director, stated that Patty Kettles who is presenting the sewer rate study had been delayed and suggested her presentation follow the 2016 Budget presentation.

2016 Budget Presentation

City Manager, Toby Dougherty, reviewed the 2016 Budget with the Commissioners giving a brief explanation of various aspects of the budget. The 2016 Budget is a balanced budget, contains no additional employees, adequately funds reserves, and keeps the mill levy at 25.00.

At the July 23, 2015 Commission meeting, the Commissioners will be requested to set the date for a public hearing for the 2016 Budget to be held during the Commission meeting on August 13, 2015.

Sewer Rate Study/Adjustment

Kim Rupp, Finance Director, stated that environmental restrictions at the City sewer treatment facility, aging infrastructure, lack of funding for annual sewer capital maintenance repairs and rehabilitation, and insufficient user rates prompted the need for a sewer rate study. Springsted, Inc. was contracted to conduct a comprehensive study to determine the rate increases needed to support the above needs.

Patty Kettles, Vice President with Springsted, Inc., made a presentation outlining the study and its recommendation. The presentation included a series of increases during the next few years in order to provide sufficient revenue, adequate cash flow, adequate level of cash reserves, and cover the full cost of services provided.

City staff is recommending the monthly sewer base and volumetric user rates should be increased 17% August 1, 2015, 15.5% annually 2016-2020 and 12% in 2021.

Commissioner Jones stated he would like to see other scenarios on the rate increase options.

Commissioner Schwaller stated this is going to be an impossible sell and most people don't have the income to pay for this.

Commissioner Meier agreed and would like to see other options.

While Ms. Kettles updated the spreadsheet with other options, a citizen comment was heard.

Delores Schmeidler, a resident of Hays, asked who determines the sewer charges on private well owners who do not consume City water, but are strictly on a private well. She asked why some people pay \$26.00 and others pay \$11.43.

City Manager, Toby Dougherty, replied that because we don't meter the amount of water they are using with a water well, we don't know how much waste water they are putting into our system and the rate was set higher.

Finance Director, Kim Rupp, stated that in the 1960's when that rate was put into place they tried to use the top end of average usage and arrived at 1300 cubic feet and when the per capita water use average dropped due to conservation, they lowered it to 1000 cubic feet. He stated an option would be to put a meter on her well and we would charge based on her actual usage.

City Attorney, John Bird, stated that this was deliberate by the Commission when the City went into the water crisis. They wanted to disincentivize people from using private wells in the City of Hays because we draw from the same aquifer.

It was the consensus of the Commission to discuss these flat sewer rates at a future work session.

While this citizen comment was heard, Patty Kettles prepared a few more rate increase options for the Commission to review.

Stan Christopher commented a couple of options are available to spread the rate increases out a little longer and reduce the new debt in the first few years.

Finance Director, Kim Rupp, stated the August 1st date to increase rates is not set in stone and we could present other options and postpone the rate increase to September 1, 2015.

It was the consensus of the Commission to bring this item back for discussion at a work session in August for a proposed rate increase effective September 1, 2015 after other options are presented.

Other Items for Discussion

City Manager, Toby Dougherty, introduced Greg Sund, who recently assumed the position of Public Works Director.

Commissioner Jones commented the presentations given were very good and helpful. He also stated that he has received comments on changing the one way streets on 6th and 7th Streets and looks forward to that discussion in the future.

Commissioner Schwaller commented that he appreciates all the work that was put into the presentations given this evening.

Commissioner Meier also appreciates the work done on those presentations.

Commissioner Musil commented that it is a lot of information to take in and that they are trying to decide what is best for the community and for the future of the community.

Executive Session

Henry Schwaller IV moved, James Meier seconded, that the Governing Body recess to executive session at 10:08 p.m. for five minutes to discuss union negotiations. The executive session included the Commissioners, the City Manager, and the City Attorney. K.S.A. 75-4319 authorizes the use of executive session to discuss the topics stated in the motion.

Vote: Ayes: Eber Phelps
Shaun Musil
James Meier
Henry Schwaller IV
Lance Jones

No action was taken during executive session.

The work session was adjourned at 10:13 p.m.

Submitted by: _____

Brenda Kitchen – City Clerk

City of Hays, Kansas
Wastewater Facility Plan Public Meeting
July 16, 2015
Attendance Sheet

Public and Press

Delores Schmeidler
Scott Simpson
Chris Miller
Ron Mellick
Karen LaPierre – Hays Daily News
Becky Kiser – Eagle Communications
Katie Miller – Burns & McDonnell

City Commissioners

Eber Phelps
Shaun Musil
Henry Schwaller IV
James Meier
Lance Jones

City Staff

Toby Dougherty – City Manager
Kim Rupp – Finance Director
Shane Scranton – Intern (City Manager's Office)
John Braun – Asst. Director of Public Works
Greg Sund – Director of Public Works
Johnny O'Connor – Asst. Director of Utilities
Bernie Kitten – Director of Utilities
Roger Moerke – Wastewater Superintendent
Brenda Kitchen – City Clerk
Andrea Windholz – Executive Assistant
John T. Bird – City Attorney
Shawn Swift – Wastewater Plant Operator

Consultants

Stan Christopher – HDR
Matt Say – HDR
Patty Kettles – Springsted, Inc.