

January 26, 1995

1. CALL TO ORDER BY CHAIRMAN: The Governing Body of the City of Hays met in regular session, Thursday, January 26, 1995, at 7:30 p.m.

Roll Call: Present: Robert Albers
Sharon Leikam
Daniel Rupp
Joseph Glassman
Eber Phelps

2. MINUTES: Eber Phelps moved, Sharon Leikam seconded, that the minutes of the January 12, 1995, regular session, be approved.

Vote: Ayes: Robert Albers
Sharon Leikam
Daniel Rupp
Joseph Glassman
Eber Phelps

3. FINANCIAL STATEMENT: City Manager Hannes Zacharias reviewed the ending cash balances of several funds in the December Financial Statement.

Sharon Leikam moved, Daniel Rupp seconded, that the Financial Statement for the month of December, 1994, be approved.

Vote: Ayes: Robert Albers
Sharon Leikam
Daniel Rupp
Joseph Glassman
Eber Phelps

4. CITIZEN COMMENTS: Rich Billinger, American Legion baseball coach, appeared before the Commission asking for the City's support in recognizing Hays area native Ron Schueler who became a major league baseball player, and is presently manager of the Chicago White Sox. Plans are to hold a banquet this spring in honor of Mr. Schueler. The proceeds of the banquet will be donated to the American Legion and Hays High School ball teams.

Mr. Billinger thought perhaps a street near Larks Park could be renamed Ron Schueler Drive. The Commission supported the idea and asked to be kept informed as plans progress.

Ray Winters, who owns property along East Highway 40, just east of Cody's Bar, submitted a petition to the City Commission on behalf of himself and neighboring property owners. The petition requests financial assistance from the City for costs associated with connecting to the City's sanitary sewer line. He said Ellis County has adopted an environmental policy code which prohibits the property from being sold if the septic tank is not functional. If such a system is not functional, and the property is within 400' of a sanitary sewer line, they are required to hook up to that system.

City Manager Zacharias said he would be glad to visit more with Mr. Winters, but felt it would be inappropriate for the City to pay these costs since the City does not pay for other sewer connections. He also stated that the City would be willing to set up a special assessment district and work with them in that manner.

5. COMMISSION INFORMATIONAL MEMORANDUM: Commissioner Phelps, a member of the ad-hoc committee on the 1/2 cent sales tax issue, reported that a meeting will be held on February 1, 1995 involving Ellis County, the cities of Hays, Ellis, Victoria and Schoenchen. The topic of discussion will be whether or not to place the sales tax issue on the ballot of the April Election, and if so, what language to use on the ballot.

Mayor Albers said he has a concern that while the sales tax will supposedly be labeled for economic development, he is hearing that some of the entities involved would like to see the tax used for other purposes, such as to reduce property taxes. Unless an agreement can be reached with all entities involved to dedicate the sales tax strictly to economic development, he would not be in favor of the county-wide tax, and would prefer to approach the legislature regarding additional city sales tax dedicated to economic development.

6. WATER AND SEWER RATE REVIEW: City Manager Zacharias said as

of the last City Commission meeting, the Commission was leaning toward accepting City staff's recommendation for a water and sewer rate increase, or a very similar recommendation made by Commissioner Rupp. The Commission then directed the City Manager to meet with Fort Hays State University officials concerning the elimination of the nonprofit category in the rate structure, which was done.

City staff's recommendation is as follows:

The nonprofit category be eliminated. Water minimums and water rates are raised by 9 percent across-the-board. Sewer minimums are raised to 50 percent of the proposed water rate and the sewer rates are raised 13 percent per tier.

Commissioner Rupp's recommendation is as follows:

The nonprofit category be eliminated. Water minimums are raised by 9 percent. The first 400 cubic feet of water remain at the same rate as our current rate, with the remaining tiers being increased 12 percent and businesses having a 13 percent increase.

Sewer minimums would be raised to 50 percent of the proposed water rate. The sewer minimum rate tiers would mirror water minimum rates in the way that the first 100 cubic feet is included in the minimum charge. The first 400 cubic feet of sewer would be priced at the same cost as our current rate. All other tiers would have a 25% increase for both the residential and commercial categories.

Commissioners questioned why depreciation expense is considered for the sewer rate structure and not the water rate structure. City Manager Zacharias said it was a judgement call based on how much can the rate payers afford. Staff was willing to take half the risk, if consumption increases, we will be OK. In the past, we have always had additional cash to provide for capital improvements. That cash supply is being depleted, due to reduction in consumption, thus creating the need to begin to fund depreciation.

Commissioner Rupp pointed out that if we have never included depreciation in the past, and included it in the

proposed rate structure, it would mean that the present generation will pay a disproportionate large amount of dollars. From that standpoint, it may be better to continue the pattern of the past. City Manager Zacharias said if depreciation isn't inserted into the rate structure at some point, there will be no money to replace equipment and vehicles, which would require these items to be bonded, and thus, adding to the overall cost.

Commissioner Glassman said not including depreciation shows a weak financial statement. Taking depreciation out is not realistic; it needs to be included.

Commissioner Rupp said we have always been able to pay our way in the past. Mayor Albers said the tax lid has forced us to draw from the Water Fund in order to fund basic City services.

Commissioner Rupp said he favored leaving depreciation out of both water and sewer, and consider including it at budget time. It would also be beneficial to simplify our rate schedule. The present rate schedule is difficult to explain to a customer.

Commissioner Leikam felt that depreciation should be included for both water and sewer, otherwise we will have to come back to the rate payers with additional increases.

Consideration was given to using other sources of funding. Sales tax revenue was suggested. City Manager Zacharias said the allowable uses of the sales tax under the terms of the Sales Tax Ordinance are quite broad. However, the original intent of the sales tax was for a long-term water supply. Mayor Albers felt if that intent is changed, it should go before the voters.

Ed Hammond, President of Fort Hays State University, presented a four point proposal in response to the demands of the Water and Sewer Fund for additional revenue.

1. Fort Hays State University does support the termination of the nonprofit category assuming that the impact of such a dramatic change can be implemented in a way which is most manageable for the agencies affected.

2. It is recommended that the depreciation figure of \$212,180 be eliminated from the projected actual expense of the

calculations in the 1995 sewer rate projections. It is recognized that the capital improvements in the sewer department have been funded through cash reserves and the State Revolving Loan Fund. The City should comply with the covenants of the loan documents to maintain adequate reserves. A review of cash, bond and interest reserves indicate adequate reserves to respond to unknown and emergency situations. It seems unwise at this time to create an arbitrary depreciation factor which could have such a deleterious affect on the rates of all consumers.

3. The University can support either City staff's proposal or Commissioner Rupp's proposal, if the depreciation allowance is removed from the sewer rate projection formula.

4. As the University looks at the long-term implications of such rate increases, it becomes necessary to find the most efficient way to control costs. The University has two options available. The first being the request for annexation into the City and the second being the development of a "stand-alone" system for the institution. The University enjoys the cooperation and partnership which has been developed with the community and would like to continue and enhance this relationship. Therefore, Fort Hays State University will petition to be annexed into the City of Hays. Such annexation is obviously beneficial to the institution because it reduces the rate from 1.7 percent to the actual rate charged all commercial consumers.

City Manager Zacharias said if Fort Hays State University were to be annexed, the revenue loss to the City would consist of approximately \$120,00 in water and sewer revenue and \$4,400 for the Fire Service Contract in the General Fund. Additional revenue to be gained through sales tax, franchise fees, LAVTR tax, City-County revenue sharing and gasoline tax would be approximately \$100,658, but none of that amount would benefit the Water and Sewer Fund.

City Manager Zacharias cautioned against eliminating depreciation on the sewer rate formula. The City has a bond reserve account, but has no sinking fund to draw from. The Fund

basically operates on cash flow.

Dale Montgomery, representing Hays Medical Center, said the Medical Center recognized its civil role as a major water consumer, and accepts its share of the proposed rates, but asked for a delay in the elimination of the nonprofit rate to coincide with their fiscal year (July 1) to allow for proper budget adjustments.

Joseph Glassman moved, Eber Phelps seconded, that Commissioner Rupp's option for a water and sewer rate increase be approved, with the stipulation that the nonprofit category remain in place until July 1, 1995.

Vote: Ayes: Robert Albers
Daniel Rupp
Joseph Glassman
Eber Phelps
No: Sharon Leikam

7. BIG CREEK BANK STABILIZATION PROJECT: Dan Meyerhoff, representing USDA Natural Resources Conservation Services, was present, and outlined a Big Creek Stabilization Project through an Americorp Grant for 1996. Mr. Meyerhoff said the project will involve cleaning of the creek bed, reshaping and stabilization of the banks from the low water crossing on the Fort Hays State University campus to the stepping stones located in East Frontier Park. The Project would also include the planting of trees and native grasses and construction of pedestrian and bicycle trails. The Project would involve the City of Hays Park and Service Departments, Fort Hays State University, and 25 Americorp workers. Also involved will be the Kansas Department of Wildlife and Parks, the Kansas State Extension Forestry Service, Ellis County Conservation District, and the USDA Natural Resources Conservation Service.

The total cost of this project is estimated to be \$325,300 and will be divided as follows:

Americorp	\$235,500
Volunteers	\$10,100
City of Hays	\$36,100

Fort Hays State University \$25,600

8. LIME SLAKER BIDS: Proposals for the purchase of a lime slaker were received by the City of Hays as follows:

Haynes Equipment Company, Inc. Olathe, Kansas	\$64,555.60
Brooks and Associates Fowton Missouri	\$67,280.77
Municipal Treatment Lakewood, CO	\$70,459.19

Water Plant Superintendent Joe Obholz said the equipment will be installed by Water Plant personnel and inspected by Haynes Equipment Company for a savings of \$12,000.

Joseph Glassman moved, Daniel Rupp seconded, that the low bid from Haynes Equipment, totaling \$64,555.60, for a lime slaker, be approved.

Vote: Ayes: Robert Albers
Sharon Leikam
Daniel Rupp
Joseph Glassman
Eber Phelps

9. VEHICLE PURCHASE: Bids were received for the purchase of a pickup truck to be used by the Hays Police Department as follows:

Hays Ford Toyota	\$13,699.75
Paul MacDonald Chevrolet	\$13,886.21

Joseph Glassman moved, Eber Phelps seconded, that the low bid from Hays Ford Toyota, totaling \$13,699.75, be accepted.

Vote: Ayes: Robert Albers
Sharon Leikam
Daniel Rupp
Joseph Glassman
Eber Phelps

10. NON-COLLECTIBLE COURT COSTS: Eber Phelps moved, Sharon Leikam seconded, that the non-collectible court costs, as attached hereto, be designated as uncollectible and charged off the books.

City Manager Zacharias said this is merely a accounting entry. If the individuals were ever located, they would be required to pay the fines.

Vote: Ayes: Robert Albers
Sharon Leikam
Daniel Rupp
Joseph Glassman
Eber Phelps

11. SNOW REMOVAL ORDINANCE: Sharon Leikam moved, Eber Phelps seconded, that the Snow Removal Ordinance be amended to allow a 24 hour time limit for removing snow instead of the five hour limit.

Commissioner Rupp said he would not vote in favor of this time frame change unless the City would be more vigilant in enforcement. City Manager Zacharias said unless directed otherwise, the enforcement procedure will remain the same.

Vote: Ayes: Robert Albers
Sharon Leikam
Joseph Glassman
Eber Phelps
No: Daniel Rupp

12. ADD-ON ITEMS: Joseph Glassman moved, Sharon Leikam seconded, that a Cereal Malt Beverage License for the Sport's Page, 1107 Vine, be approved.

Vote: Ayes: Robert Albers
Sharon Leikam
Daniel Rupp
Joseph Glassman
Eber Phelps

Mayor Albers said he felt the Outstanding Citizen Award that he received from the Chamber of Commerce should have gone to all members of the Commission and many members of the Community. The award was the result of the accomplishments of a multitude of people who worked together this past year as well as prior years.

Mayor Albers said he wanted to voice his frustration over

the situation we are in regarding water supply and rate increases. We happen to live in a region where there is no adequate water supply. We are forced to discharge sewer waste into an almost dry stream bed. Therefore, we have been mandated by the Federal Government to make five million dollars worth of improvements to our Wastewater Treatment Plant with no assistance from the Federal Government. It would not surprise him to see a cutback on federal mandates, and we just happen to be one of the cities stuck with a large bill. The reality is that we will continue to run into this disjointed bureaucracy, and he doubts that it will ever change.

Thereupon the Governing Body adjourned.

Submitted by: _____

Clerk of the Board