

MINUTES OF A MEETING OF
THE GOVERNING BODY OF
THE CITY OF HAYS, KANSAS
HELD ON JANUARY 8, 2004

1. CALL TO ORDER BY CHAIRMAN: The Governing Body of the City of Hays, Kansas, met in regular session on Thursday, January 8, 2004, at 7:30 p.m.

Roll Call: Present: Troy Hickman
Kent Steward
Wayne Billinger
Henry Schwaller IV

Absent: Sunell Koerner

Chairperson Hickman stated that a quorum was present and called the meeting to order.

2. MINUTES: There were no corrections to the minutes; they were approved as written.

3. CITIZEN COMMENTS: A. J. Pfannenstiel, said he understood the City is considering applying for a grant to do a feasibility study on the odor at the Research Center and the Sewage Treatment Plant. He said his firm has microbes available that will eliminate odor, not mask it. He has met with Pat Coyne at the Research Center and made an offer to clean up the feedlot odor at no cost, and the offer still stands.

4. CONSENT AGENDA:

A. Consider declaring \$4,092.94 in past due water accounts as non-collectible.

B. Consider adopting a Resolution expressing appreciation to Jim Heumann and Carol Cline, the owners of the Stadium Club Sports Bar and Grill, a new restaurant in Hays.

Henry Schwaller moved, Wayne Billinger seconded, that the consent items, be approved.

Vote: Ayes: Troy Hickman
Kent Steward
Wayne Billinger
Henry Schwaller IV

UNFINISHED BUSINESS

5. RURAL BUSINESS GRANT PROGRAM: Dave VanDoren and Associates, requested that the City be the pass-through agent for a grant application to study whether or not an anaerobic digester would be feasible to control odor from the Kansas State University Agriculture Research Center, Fort Hays State University Farm, the City's compost site and the Wastewater Treatment Plant.

Mr. VanDoren said this venture has been a real team effort. Members of the team include Kent Caldwell with the USDA, Pat Coyne, Experiment Station Director; Dan Heeter, Director of the Physical Plant at Fort Hays State University.

Mr. VanDoren explained that an anaerobic digester is an enclosed tank in which organic waste material is submerged in water so that no oxygen can get to it. Bacteria digest the organic waste in the absence of oxygen producing bio-gas which includes methane (or natural gas). The anaerobic digester would contain the odor during the processing of the waste and capture the methane gas produced by the digester to use as an energy source to produce both heat and electricity. The remaining digested solids would be used as compost or fertilizer. The effluent water would be used for irrigation.

Mr. VanDoren cited examples of recently constructed anaerobic digesters; one is located in Oregon, one in Australia, and a project in Minnesota which provides enough electricity for a farm and 78 homes, along with controlling the odor and creating fertilizer for good compost material.

The feasibility study would determine where the digester would be located, but two potential sites would be the Agricultural Research Center near the existing feed lot or the old Hays Sewage Treatment Facility along the Highway 40 By-Pass.

Some of the benefits to the City of Hays include the elimination of odor from current sources, the production of electrical power for local use, reduced future capital outlays to upgrade the Wastewater Treatment Facility owned and operated by the City, job creation and marketable, high quality compost.

Mr. VanDoren requested that the City agree to be the sponsoring public agency for a grant from USDA Rural Development to conduct a study to confirm the technical and economic feasibility of building and operating a facility to process agricultural and human waste in the Hays area. Also, if determined to be feasible, design the facility, and agree to administer the grant, if approved.

Mr. VanDoren asked the City to contribute 5% to 10% of \$135,000 that includes the cost of the study and engineering. A contribution from the City would greatly enhance the probability of success with the grant scoring process.

Commissioner Schwaller said he was intrigued with the presentation, it takes the blame away from one facility and shows that it is a shared problem. He asked if the City's compost site could be relocated and take advantage of the clippings, etc. Mr. VanDoren said the compost site could definitely be part of the program.

Commissioner Schwaller said if the City does provide 5% or 10%, would there be a possibility that the City would have an ownership stake as a municipality so the City could get a return on their investment. Mr. Coyne said the 5% to 10% is for the feasibility study only. It is hoped that local partners can be involved including the City, the University and the Experiment Station.

Kent Steward moved, that Dave VanDoren and Associates be granted the authority to apply for a grant on the City's behalf for a feasibility study, and that the City commits to paying 10 percent of the cost of the study. Commissioner Schwaller seconded, for the purposes of discussion.

City Manager Gustafson said he had some engineering consultants review the preliminary concept and they didn't raise any objections to the study.

The City Manager said assuming that this project is determined to be feasible through the study process, and is engineered, the third part that is not included in the grant is who is going to build the digester

and pay for it. If the City participates in the construction, it would be assumable that the City had an ownership aspect, and be able to sell the compost.

Kent Caldwell said the purpose of the grant program would be to finance and facilitate the development of small private enterprise. The expectation with the grant funds would be that there would be a for-profit ownership of this business, if found feasible to create jobs. It may be possible to have additional partners in that ownership, but the group feels strongly that if they are going to be involved, there will be a for-profit owner that will be a major player and manage the construction of the business. The City Manager said he understands and agrees, but cities all across the country have gotten into an entrepreneur aspect by selling sludge as compost and have offset some of their costs. Mr. Caldwell said he agrees with that concept and believes the business can be structured to accomplish that concept. Mr. VanDoren said this would be a team effort.

Commissioner Schwaller asked for a cost estimate to construct the digester. Mr. VanDoren said a rough estimate would be \$500,000 or \$600,000. Mr. Coyne added that this cost would not include the cost of paving the feedlot, which would be a necessary part of this process. It would cost approximately \$750,000 to pave the feedlot.

Chairperson Hickman called for the vote.

Vote: Ayes: Troy Hickman
Kent Steward
Wayne Billinger
Henry Schwaller IV

NEW BUSINESS

6. FINANCIAL ANALYSIS REVIEW AND RECOMMENDATION: The City Manager presented an idea of raising sales tax as an alternate way of financing City government operations and various projects. He is recommending the City collect more revenue from sales tax and less reliance on property tax.

Mr. Gustafson told Commissioners the City couldn't have sustainable growth and accomplish what it wants to without significantly raising property taxes. The City's auditor has stated that the City's cash carry-over continues to decrease. Paying for various needed projects would be difficult with the current budget, and the City cannot rely on State funds.

Mr. Gustafson said cuts have been made this past year totaling approximately \$978,000. This savings has originated from such activities as; surplus equipment being sold, vacant positions have been eliminated, a street sweeper has been sold and street sweeping has been contracted out. These cuts have allowed services to remain the same, even though there have been cuts in State funding. A sustainable finance plan has to be in place that does not rely on the State government. If the State would decide to provide demand transfer again, that money would be earmarked for specific projects, and not used to

supplement the cost of City operations. In addition, the City has relied on transfers from other funds to sustain General Fund operations.

Some of the other issues that need to be addressed include street infrastructure; water supply issues; stormwater drainage system, Army Reserve Building (relocation of City Hall), Downtown Streetscape Program, and the Fox Theatre. These projects will need to be funded by mill levy increases, and continuation of fund transfers, otherwise the City's cash reserves will be depleted.

The City Manager noted that the City of Hays Economic Development Policy states "The quality of life for all residents is enhanced when good job opportunities are available." The lowering of taxes and the ability to provide superior city services encourages economic development. It is questionable whether or not the City can afford to do this.

The City has an alternative that would take care of many of these financially related problems, including the ability to lower property taxes and fully utilize the Special Highway Fund for contract street repairs.

An alternative would be to develop a sales tax plan. This plan is to seek voter approval of a .75% sales tax increase while at the same time eliminating the property tax levy for General Fund purposes, which would result in reducing the City's property tax levy by approximately one-third and eliminating the Motor Vehicle Tax.

City Manager Gustafson reviewed various scenarios assuming a .75% sales tax was in place. Some of the positive points include a lowering of property tax by 1/3 instead of raising by 50%, allows \$650,000 of Special Highway funds to be earmarked for street improvements instead of only \$100,000 to \$200,000, allows for Park and Golf Course Improvements, and will spread the tax burden out so that nonresidents help support City services which they use and enjoy.

Some challenges to overcome include a complete change in philosophy involving financing and funding of the City. This plan will require an extremely disciplined approach to budgeting and spending including maintaining at least 25% contingency. The voters must be convinced that this is an appropriate approach to funding City government, and be mindful that sales tax revenues are not predictable or as safe as property tax.

The City Manager said this is a concept, it will be up to the City Commission and the voters of Hays to determine whether or not the plan will be implemented.

The City's auditor, Ken Beran, said he has reviewed the City Manager's plan and believes the projections are correct. He presented a numbers analysis and comparison of property tax versus sales tax.

Mr. Gustafson said at this point he is not asking for approval of this plan. He wants input from various groups and citizens as to whether or not this plan is viable.

The consensus of the Commission was that the concept is worth further study, and the City Manager was asked to continue to explore the feasibility of this plan.

7. ORDINANCE DESIGNATING MAIN TRAFFICWAYS WITHIN THE CITY OF HAYS: An ordinance designating Roth Avenue, General Hays Road and 48th Street as main trafficways was presented for

consideration. This ordinance is part of the process for obtaining funding for the reverse access roads as part of the Corridor Management Project.

Henry Schwaller moved, Kent Steward seconded, that Ordinance No. 3635, being an ordinance designating Roth Avenue, General Hays Road and 48th Street in the City of Hays, Kansas as main trafficways, be approved.

Vote: Ayes: Troy Hickman
Kent Steward
Wayne Billinger
Henry Schwaller IV

8. ANIMAL CONTROL AND ANIMAL SHELTER CONTRACT: A formal contract with Hillside Veterinary Clinic for animal control and animal shelter services for the 2004 calendar year was presented. This contract will expire on December 31, 2004, and is in the amount of \$65,000. All contract requirements are in accordance with the City of Hays Code of Ordinances including the return to the City of any impounding and boarding fees collected by Hillside Veterinary Clinic.

Henry Schwaller moved, Wayne Billinger seconded, that a contract with Hillside Veterinary Clinic in the amount of \$65,000 for animal control and animal shelter services for the 2004 calendar year, be approved.

Vote: Ayes: Troy Hickman
Kent Steward
Wayne Billinger
Henry Schwaller IV

9. REPORT OF THE CITY MANAGER: The City Manager said there are some changes to the animal control ordinance that he will be bringing up at a future meeting.

Commissioner Steward said he would like the ordinance regarding dog bites to be reviewed. The City Manager said he would be giving a recommendation on a complete revision of the animal ordinance.

10. COMMISSION INQUIRIES AND COMMENTS: Commissioner Billinger ask for information on the salt brine that is sprayed on the streets, for example, what is the drying time once the brine is applied.

Commissioner Steward said that the Federal Railroad Administration (FRA) has amended their regulations to allow cities to silence train horns while the train is passing through the City. He would like train horns to be an item of discussion at a work session.

Thereupon the Governing Body adjourned.

Submitted by: _____

Clerk of the Board