

**CITY OF HAYS
CITY COMMISSION WORK SESSION
THURSDAY, FEBRUARY 18, 2016 – 6:30 P.M.
AGENDA**

1. **ITEM FOR REVIEW: [February 4, 2016 Work Session Notes \(PAGE 1\)](#)**
DEPARTMENT HEAD RESPONSIBLE: Kim Rupp, Director of Finance
2. **ITEM FOR REVIEW: North Central Kansas Technical College Big Creek Technical Training Center Annual Report**
PERSON RESPONSIBLE: Eric Burks, NCK Tech President
3. **ITEM FOR REVIEW: [Comprehensive Financial Management Policy Review \(PAGE 3\)](#)**
DEPARTMENT HEAD RESPONSIBLE: Kim Rupp, Director of Finance
4. **OTHER ITEMS FOR DISCUSSION**
5. **EXECUTIVE SESSION (IF REQUIRED)**
6. **ADJOURNMENT**

ANY PERSON WITH A DISABILITY NEEDING SPECIAL ACCOMMODATIONS TO ATTEND THIS MEETING SHOULD CONTACT THE CITY MANAGER'S OFFICE 48 HOURS PRIOR TO THE SCHEDULED MEETING TIME. EVERY ATTEMPT WILL BE MADE TO ACCOMMODATE ANY REQUESTS FOR ASSISTANCE.

City of Hays
City Commission
Work Session Notes
Thursday, February 4, 2016 – 6:30 p.m.

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

January 7, 2016 Work Session Notes

There were no corrections or additions to the minutes of the work session held on January 7, 2016; the minutes stand approved as presented.

Wastewater Treatment Process Design Selection

On December 10, 2015, the Commission authorized the City Manager to enter into a contract with CDM Smith (CDM Constructors, Inc.) for Phase 1, 90% design and GMP development, for the rebuilding of the wastewater treatment facility. The first step in the process is to determine which treatment process to move forward with.

Stan Christopher, Project Manager, HDR Engineering Inc., the Owner Representative for this project, reviewed the three processes that were considered:

- 1) 5-Stage oxidation ditch with final clarifiers and traditional tertiary filters
- 2) 5-Stage oxidation ditch with final clarifiers and denitrification filters
- 3) Membrane bioreactor process (MBR)

Mr. Christopher explained that all three processes include biological nutrient removal to meet treatment requirements. The 5-stage oxidation ditch with final clarifiers and denitrification filters (Option 2) process was recommended based on several factors such as ease of operation, lowest present value, and its ability to meet current and anticipated future effluent limits. This option will also improve effluent quality for continued irrigation and indirect recharge reuse.

The 5-stage oxidation ditch with final clarifiers and denitrification filters process has a higher total capital cost at \$7.59 million, compared to the MBR option at \$6.84 million. However, the recommended option has much lower

operating costs, and is a much simpler unit to operate; therefore, the net present value is lower than the other two options.

Commissioner Schwaller agreed with the recommendation and felt the membrane option would be too costly and thinks this will be a much more efficient option for the City.

At the February 11, 2016 Commission meeting, Commissioners will be asked to authorize CDM Constructors, Inc. to continue the 90% design and GMP development of the 5-stage oxidation ditch with final clarifiers and denitrification filters process.

Other Items for Discussion

There were no other items for discussion.

Executive Session

Henry Schwaller IV moved, Shaun Musil seconded, that the Governing Body recess to executive session at 7:01 p.m. for 20 minutes to discuss personnel matters. The executive session included the City Commissioners. 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 the executive session.

The work session was adjourned at 7:21 p.m.

Submitted by: _____

Brenda Kitchen – City Clerk

Memo

To: Toby Dougherty, City Manager
Cc: Jacob Wood, Assistant City Manager
From: Kim Rupp, Director of Finance
Date: January 28, 2016
Re: Comprehensive Financial Management Policy Review - 2015

The City of Hays Comprehensive Financial Management Policy consists of thirteen categories. The thirteenth category is policy review and states that "The City Manager shall provide the City Commission a written status report concerning the City's compliance with the thirteen categories on an annual basis". Overall, staff is comfortable that every attempt was made to comply with the Policy and after review submits the following highlights:

Category I

Fund Balances and Reserves

Reserves protect the City's essential service programs during periods of economic downturn, which may temporarily reduce actual resources. The City was able to fulfill the requirement in 2015 of maintaining a 10% unreserved fund balance and a 25% budget stabilization fund for the General Fund. No Unreserved Fund Balances were used to support operating expenditures. Expenditures were fully supported by the year's revenue in each fund. The City was also able to maintain adequate contingencies for funds that statutorily cannot carry a fund balance in excess of 5% from the previous year. This provides for funding flexibility when faced with unanticipated needs or emergencies.

Category II

Budgeting

The budget is one of the most important documents the City prepares since it identifies the services to be provided and how the services are to be financed. Budgeting is an essential element of the financial planning, control, and evaluation process of municipal government.

One of the things required in this area is that officials and department heads are required to monitor revenues and control expenditures to prevent exceeding the amount of expenditures budgeted for their department. This went well this year evidenced by the fact that total General Fund expenditures ended the year some \$1,296,966 under budget. This included \$1,457,534 set aside into the newly formed City Commission Capital Reserves.

This category also recommends that any General Fund unreserved fund balance in excess of 10% should be used for either non-recurring capital expenditures or to buy down the Employee Benefit levy. In the 2015 budget, \$92,200 was transferred from the City Commission Capital Reserves to the Employee Benefit Fund for levy stabilization.

Category III

Revenues

It is necessary that the City maintain a diversified and stable revenue system to shelter it from short-term fluctuations in any one revenue source. In this section it was determined that the City establish all user charges and fees to support their respective activity. Once again this was accomplished in 2015 and in fact those funds were able to support General Fund services they received by establishing transfers to reimburse for those activities. Water sales and sewer service charges are a big portion of the City's revenue stream. As discussed later, a Water and Sewer rate study was completed by Springsted Inc in 2015. This study was essential in 2015 to help provide services, address maintenance issues, meet operational needs, and provide funding for the reconstruction of the Waste Water Treatment Facility to meet new state and federal requirements.

Category IV

Capital Improvement Program (CIP) and Fixed Assets

The CIP includes capital improvements for all agencies for which the City sets tax rates, makes levies or approves budgets or programs. The CIP includes an estimate of the cost and anticipated revenue sources for financing the projects.

Staff updates the City CIP plan on a regular basis throughout the year, and reviews it annually with the Commission during the budget process. City staff is committed to implementing the City's Capital Improvement Plan to protect its capital assets and minimize future maintenance and replacement costs.

Category V

Debt Management

Kansas statute requires a City not to exceed 30% of the assessed valuation in total debt. The City's own policy further restricts that to 15%. At year-end 2015 that percentage was 5.8%.

The City continued its practice of pay-as-you-go financing of capital projects given the substantial amount of idle funds available and the poor investment rates being received. If needed in the future those funds are then reimbursed through bond funding when projects are at or near completion. General obligation and revenue bonds are sold in a competitive sale format to produce the best results for the City as it relates to term, call provisions, bidder availability, and interest rates. City staff and the City's financial advisor continue to monitor the portfolio of debt to determine if any bonds are ready for call.

In June 2015, the City received a rating from Standard and Poor's Rating Services of AA with stable outlook.

Category VI

Cash Management and Investment

Investment of City idle funds are made with the primary objectives of 1) Security of City funds and investments, 2) Preservation of capital and protection of principal, 3) Maintenance of sufficient liquidity to meet operating needs, 4) Diversification of investments to avoid unreasonable or avoidable risks, and 5) Maximization of return on the portfolio.

Staff continues to utilize a competitive bid process for investment of idle funds. Staff also uses a "just in time" procedure for maturity dates to ensure that the funds earn as much interest as possible before needed. Staff was pleased during 2015 having received bids from several banks in town on numerous occasions. Maturities have continued at or just above one year in term thereby negating as much interest rate risk as possible while meeting cash flow needs. The City's weighted average interest rate on the portfolio increased from .25% to .34% during 2015.

All of the investments are either in money market or certificates of deposits. Staff has continued in contact with the brokerage department of the City's primary bank to monitor other options. While limited, these instruments can include treasury deposits. However, these returns are still below the current weighted average interest rate on the portfolio.

Category VII

Enterprise Fund Management

Water and sewer rates underwent a full review by Springsted Inc in 2015. This revealed a need for a rate increase in both rate structures. As a result of the study and a review of numerous options the following schedule was adopted by resolution. Sewer increased 17% in the Sept/Oct 2015 billing cycles then 15.5% January 1, 2016 through 2020 and finally 12% on January 1, 2021. Water will increase 10% January 1, 2016 and 2017, 5% January 1, 2018 and 2019 and finally 3% January 1, 2020 and 2021. This practice ensured that the City is able to continue to maintain all enterprise funds on a self-sustaining basis, with no support from property tax or general fund sales tax revenues. A similar full financial review will be conducted annually to verify the intended purpose of the rate increases are being fulfilled.

Category VIII

Accounting, Auditing and Financial Reporting

The City follows all governmental requirements for reporting and auditing. The City's auditing firm completed the 2014 audit of the financials of the City of Hays and reported there were no significant findings.

Category IX

Risk Management

The City's risk exposure is managed through the purchase of traditional insurance in the following areas: a) General Liability, b) Automobile liability, c) Public official's errors and omissions, d) Police professional liability, e) Property loss and worker's compensation, f) Employee health, g) Short-term disability, h) Crime, i) Umbrella, and j) Public entity cyber liability.

The services provided by the City's risk management broker include risk management assessment and policy evaluation. The current broker, Arthur J Gallagher, has performed well and staff is pleased with their response to claims and issues as they arise.

Category X

Procurement

Staff has continued to follow the purchasing policy as updated and improved in 2008. The purchasing policy allows for the city to obtain supplies, equipment and services as economically as possible. This is fostered by the purchasing system and procedures in place as outlined in the policy.

Category XI

Intergovernmental Revenues

No grants were used in 2015 to meet service delivery needs. Grants received during 2015 from the State of Kansas or Federal Government included funds to renovate the terminal building at the airport as well as the beginning of the reconstruction of the cross-wind runway. These did not create City overhead or indirect costs.

Category XII

Economic Development

The Economic Development Policy is under continual review. The City's policy requires a fiscal impact analysis on each economic development investment that evaluates the economic costs, economic benefits, intrinsic benefits and the levels of each type of risk associated with the economic development investment. In 2015 the Executive Director of the Ellis County Economic Development Coalition was more empowered to help facilitate the requirements of the Economic Development Policy thus streamlining the process for both the applicant and the City Commission.

Category XIII

Policy Review

This section requires staff annually review the Comprehensive Financial Management Policy and report to the City Commission the level of compliance the City attained the previous year. This memo hopefully meets that requirement.