

City Commission of Arkansas City Special Meeting Minutes

The Arkansas City Board of City Commissioners met for a special meeting at 12 p.m. Friday, September 11, 2015, in the Commission Room at City Hall. Those present at roll call were Commissioners Brandon Every, Dan Jurkovich, Duane Oestmann and Jay Warren, and Mayor Chad Giles.

Also present at roll call were City Manager Nick Hernandez, Public Information Officer Andrew Lawson, City Clerk Lesley Shook, Public Works Director Eric Broce, Assistant Public Works Director Mike Crandall, Environmental Services Superintendent Rod Philo, Finance Director Kathy Cornwell and City Treasurer Jennifer Waggoner.

Burns & McDonnell representatives in attendance were Brian Meier, Mike O'Connell and Jake White. Also in attendance were Chris Meinen, of Smith & Oakes, and Rose Mary Saunders, of Ranson Financial Consultants.

Citizens in attendance were Cindy Current, Michelle Dykes, Canyon Gingham, Vicki Jackson and Traveler publisher David Allen Seaton.

New Business

Staff Presentation on WTP

Finance Director Cornwell briefly outlined the history of the new water treatment plant design process to date.

The current plant is 35 years old, the existing clearwell is 90 years old and the high-service pump station is about 50 years old. There is little redundancy. Staff expects new federal and state regulations in the future.

The MKEC study in 2006 looked at what changes might be needed in the next 20 years. It examined costs for equipment only, not additional construction costs or labor. It estimated the cost of a new plant at \$13.7 million.

No action occurred from 2006 to 2009 due to turnover in city managers, but in 2009, the City discussed a design-build contract with Aqua Tech Engineering Consultants. In June 2010, the City entered into a design-build contract with Dondlinger & Sons and contracted with Professional Engineering Consultants for a new study.

That process was set back by more city manager turnover in 2010-2011, but in March 2012, PEC completed its study, which looked at eight alternatives ranging from rehabilitation to new construction. A decision matrix was used to analyze all eight options through scoring on weighted criteria.

The highest score went to building a new \$24.3 million conventional plant, followed by a new \$29.4 million membrane plant, followed by rehabilitation of the current plant. But the 2012 study looked at source water data from the 2005 study and didn't take into account a recent rise in chlorides due to persistent drought conditions.

So in October 2013, CDM Smith was brought in to design a new water treatment plant and evaluate the City's source water, including a breakdown of costs for each component. Based on that study, staff recommended seeking a \$25 million loan from the State Revolving Fund, but the City Commission only approved \$22 million.

That loan was approved in 2014 with a fixed interest rate of 2.7 percent, with a payback of \$1.43 million per year for 20 years once the first funds are drawn. In order to save money, the City switched designers and contracted with Burns & McDonnell in 2014-15. Design modifications and source water reclassification resulted in a savings.

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Financing the New Plant

Finance Director Cornwell continued her presentation by looking at a history of water rates. There was a significant increase of almost 50 percent in 2005 — the first such increase in at least 10 years — then rates flattened out again until 2014, when a scheduled rate hike of 2 percent per year for five years went into effect.

The purpose of the rate increases is to help to pay for the new plant and associated water infrastructure improvements, such as new water lines, well rehabilitation, water meter replacement, and a new redundant line and standpipe to service areas of the City east of the Walnut River.

Cornwell discussed a study of finances that had been prepared previously by Commissioner Every, as well as one prepared by staff in response. The two analyses differ on the extent to which the increase in water rates will pay for all of the needed improvements, with the outlook of the staff spreadsheet being somewhat more optimistic.

City Manager Hernandez explained that the staff spreadsheet actually was conservative in many areas, such as the expected increase in revenue that will be captured from the newer, more accurate meters. It also does not account for expected increases in water usage as Creekstone Farms Premium Beef continues to expand.

Commissioner Every asked what had been done with the extra money accumulated from the increase in rates.

Hernandez explained that since he arrived, staff had ended the regular practice of large transfers from the water fund to the general fund, and Public Works Director Broce said the City eventually would expend more than \$4 million on new meters and plant-related costs that can be reimbursed once it draws on the SRF loan funds.

Commissioners Jurkovich and Warren emphasized the City finally is building up its cash reserves, as well, in order to continue maintaining and replacing elements of the water distribution system more proactively.

Commissioner Every asked what would happen if Creekstone ever were to leave. Rose Mary Saunders said that, if necessary, the Kansas Department of Health and Environment would work with the City to restructure its principal and interest payments on the new plant. But Hernandez said that probably wouldn't be necessary because the reverse osmosis treatment system can be scaled down to accommodate the reduced demand, thus reducing operational costs and offsetting the revenue loss.

He promised to continue negotiating with Creekstone in the hopes of reaching a long-term agreement, but said if no agreement could be reached, staff would continue to revise numbers and stay prepared for any eventuality.

Burns & McDonnell Presentation

Jake White summarized the process through which the City's wells were reclassified from groundwater under the influence of surface water to simply groundwater. That netted a cost savings because the micro/ultrafiltration component of the new plant design could be replaced with a cheaper greensand filtration system.

He said a reverse osmosis side stream is the most economical way to treat water and reach hardness goals.

Another win for the project was obtaining KDHE approval to build a waste line and divert the greensand backwash and RO concentrate to the Arkansas River by way of the Wastewater Treatment Facility.

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This ended up being a cheaper option than the one originally recommended, deep-well injection, with the added benefit of not increasing the risk of earthquakes due to the increasingly controversial drilling process.

Because determining a method of waste-stream management was not originally part of Burns & McDonnell's contract, a proposed contract amendment was on the agenda for this meeting. It later was tabled until Sept. 15.

White said work is under way on the new clearwell, which should be substantially complete by December. He showed some schematics of what the plant administration and laboratory areas will look like when it is built.

There also was a detailed discussion of the ongoing pilot study, the preliminary results from which indicate the proposed equipment is sized properly, White said. An added benefit is early training for the plant operators.

The company anticipates awarding a general contractor for the new plant in the first quarter of 2016, depending on KDHE approval and permitting, with substantial construction completion possible by the middle of 2017.

The plant could cost anywhere from \$20.275 million to \$23.725 million, including contingencies, White said, but Burns & McDonnell continues to look for additional cost savings by considering constructability in its design.

There also is the potential to receive \$500,000 from a Community Development Block Grant to offset part of the waste line cost. And it seems to be a competitive time in the market, White said, which means bids could be low.

Well Field Evaluation

A separate part of Burns & McDonnell's presentation that was not related to the new water treatment plant was a contract to evaluate the City's existing water rights and consider options for expanding them in the future.

Brian Meier explained the proposed two-step process and Jake White mentioned that RO plants produce more waste, which means expanding the amount of water the City can draw probably would be prudent.

Commissioner Every asked what would happen if the City's source water were to be reclassified as groundwater.

White and Mike O'Connell said adding a conventional treatment process upstream of the existing RO treatment would be the best way to handle that, but added that the likelihood of it happening is extremely minute. City Manager Hernandez added that technology is constantly changing, but he said an RO-greensand plant would be much more flexible to adjust to changing needs in the future than a conventional lime-softening plant.

LMI Survey and CDBG Update

Rose Mary Saunders said 70 percent of the low- to moderate-income (LMI) surveys had been returned and the 51-percent threshold that the City needed had been attained. Her husband, Steve, was working for one more day to tie up loose ends in Sleeth Addition. On the whole, they received largely positive responses from citizens.

Of those who responded, about 55 percent are considered to be in the LMI range, which means the City could qualify for a Community Development Block Grant (CDBG) if approved by the Kansas Department of Commerce. But it is a competitive grant program and just submitting the application doesn't mean it will be awarded.

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Commissioner Every asked Saunders if they had cherry-picked the lower-income areas of town. She said they really hadn't — they visited almost all of the neighborhoods west of Summit Street and north of Madison Avenue, as well as Sleeth Addition, some areas southwest of Summit and Madison, and basically all of the apartment complexes, dormitories, and assisted living complexes in Arkansas City.

Commissioner Every moved to table until September 15 a resolution to enter into an agreement with Ranson Financial Consultants for professional administrative services for the CDBG program, for an amount not to exceed \$19,500. Commissioner Oestmann seconded the motion. A voice vote was unanimous in favor of the motion.

Waste Line and Other Contracts

Chris Meinen explained that the scope of Smith & Oakes' contract is for the waste pipeline only, to coincide with the new WTP project. But it is a separate project with a separate contractor to be selected later.

Construction would be in the spring and summer of 2016, depending on how fast permits can be obtained from BNSF Railroad and the Kansas Department of Transportation to cross a railyard and highways, respectively.

Commissioner Every moved to table until September 15 all remaining items of new business on the agenda, including a contract with Smith & Oakes. Commissioner Jurkovich seconded the motion. A voice vote was unanimous in favor of the motion.

Executive Session

Commissioner Jurkovich moved to enter into an executive session for five minutes to discuss matters of non-elected personnel, with only the City Commission to be present. Mayor Giles second the motion.

City Manager Hernandez cautioned the commissioners that the motion might not be in strict accordance with the Kansas Open Meetings Act, which he said states that items cannot be added to the agenda of a special meeting.

A voice vote was unanimous in favor of the motion. The commissioners went into executive session at 2:02 p.m. and came back at 2:08 p.m.

Adjournment

Commissioner Oestmann moved to adjourn. Commissioner Jurkovich seconded the motion. A voice vote was unanimous in favor of the motion. Mayor Giles declared the meeting adjourned at 2:09 p.m.

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THE ARKANSAS CITY
BOARD OF CITY COMMISSIONERS

Chad Giles, Mayor

ATTEST:

Lesley Shook, City Clerk