

TOWN OF KIOWA
PUBLIC WORKS AUTHORITY MINUTES
FOR REGULAR MONTHLY MEETING

MAY 26, 2022 @ 6:30 P.M.

AT KIOWA CITY HALL

813 S. HARRISON ST.

KIOWA, OKLAHOMA

All items on this agenda, including but not limited to any agenda item concerning the adoption of any ordinance, resolution, contract, agreement, or any other item of business, are subject to **amendment**, including additions and/or deletions. This rule will apply to every individual agenda item without exception, and without providing this same **amendment** language with respect to each individual agenda item. Such amendments should be rationally related to the topic of the agenda item, or the governing body will be advised to continue the item.

The governing body may adopt, approve, ratify, deny, defer, recommend, amend, strike, or continue any agenda item. When more information is needed to act on an item, the governing body may refer the matter to its City/Trust Manager, staff, Attorney or to the recommending board, commission or committee.

CALL MEETING TO ORDER:Meeting was called to order by Mayor Peterson @ 6:30 P.M.

PLEDGE OF ALLEGIANCE:Completed.

ROLL CALL:Hall-present, Peterson-present, Vanblaricom-present, Nichols-present, Ellis-present, Johnston-present.

APPROVAL OF MINUTES:No questions.Peterson made a motion to approve the minutes. Hall seconded the motion. Hall-yes, Peterson-yes, Vanblaricom-yes, Nichols-yes, Ellis-yes, Johnston-yes. Motion carries.

APPROVAL OF THE FINANCIAL REPORT:Tracy Reed presented the Financial Report. Peterson made a motion to approve the Financial Report. Hall seconded the motion. Hall-yes, Peterson-yes, Vanblaricom-yes, Nichols-yes, Ellis-yes, Johnston-yes. Motion carries.

APPROVAL OF PURCHASES:Peterson, "What's the Kiowa Public Works Authority right here?" Ellis, "Whenever we do meter deposits like that \$127.13 went to him and the \$72.87 was the

outstanding bill so it equals the \$200." Peterson, "Ok. You all have any questions?" Vanblaricom, "Is this what we spent?" Ellis, "yes." Vanblaricom, "So we paid out these deposits and stuff?" Ellis, "Yes." Peterson, "When is our renewal for Allied?" Ellis, "We just did it." Peterson made a motion to approve the purchases. Hallseconded the motion. Hall-yes, Peterson-yes, Vanblaricom-yes, Nichols-yes, Ellis-yes, Johnston-yes. Motion carries.

WATER PLANT REPORT:Will Ellis presented the Water Plant Report.

- 1. Discussion and possible approve to appoint and swear in Mike Sexton for Ward 3.**Peterson made a motion to appoint and swear in Mike Sexton for Ward 3. Nichols seconded the motion. Hall-yes, Peterson-yes, Vanblaricom-yes, Nichols-yes, Ellis-yes, Johnston-yes. Motion carries. Mayor Peterson swears in Mike Sexton for Ward
- 2. Discussion and review of fiscal year budget 2022-2023.**Reed, "Let's look. As you know we aren't going to take any action tonight. We are just looking at this tonight. This is our opportunity to see what is included, where we would land and get some direction as to where Council would be with regards to next year's budget. The next thing on the agenda is to set a date where we will have a public hearing and adopt a budget. That will happen in a few weeks. I know you haven't had a ton of opportunity to see the budget in this format before. I will go over a couple of the highlights this year. Unless we have questions about ongoing operations, I'll direct you to what tends to be our three highest areas of discussion. The big picture as you all know are fines and revenues. We are anticipating that being reduced from prior years. The anticipation of lower revenues there has driven a lot of decisions. The budget that you are looking at does include both pay increases and utility rate increases. I misstated too on the memo so the latest inflation index is 8.7. I always start with that as a starting point for discussion and the reason is once we get our rates where they need to be the typical best practice is to keep those in line with inflation at a minimum. Just typically your customers find it easier to have rate increases on a regular basis versus nothing, nothing, nothing and then 20%. That's a starting point. You all have full power and authority to do whatever but I have included it here as our starting point. And FYI, for each 1% change in those utility rates, it changes your minimum user's bill by 69 cents per month and utility revenues for the year at \$5,500 per 1%. So as we adjust that just keep in mind that is what that does to those figures. If we move forward or anticipate moving forward with an amount different than that those are the financial impacts that are expected on that. The budget includes moving forward with our current staffing level including the police department. In our fire this year we are budgeting those personal services and then some of those per diem training expenses as our understanding is the county tax will take care of those other things except for the building but we are not anticipating additional building costs for building repairs and maintenance in this next budget year. It

does include anticipating using some of those restricted police funds, specifically drug seizure and impound, for some of our police operations. Also on the agendas it also includes anticipating moving some of those restricted funds. Where previous expenditures were paid out of our general fund, taking those restricted funds and moving those back into our general fund. Essentially reimbursing those. Those totals between our Street and Alley and our Police, we expect those to be somewhere in the neighborhood of \$430,000. It won't change our total cash. It will just change the unrestricted cash available for continued operations there. Let's say all of that happens, at the end of this year if this budget plays out exactly as it's written, I would anticipate at the end of the year you would have about twelve (12) months of operating expenses in cash. I told you before a good benchmark to start with is about six (6) months and once you hit twelve (12) we feel like we are in a good financial position. We have grant matches. We are able to meet those. If there are unexpected expenditures we are able to meet those with those resources we currently have. Now that being said this budget does project spending more this year than we expect to bring in. I am comfortable with it this year. If we start looking next year and it's at about the same level we are going to have to look a little more closely. One of the reasons I am comfortable with it is we have two big expenses in here that we already have the cash for. One of them is the water cannon. We already have that \$49,000 in cash that's sitting there. If that comes thru this year it will come off of this budget and onto the current year budget. The ending cash is not going to change obviously. Whichever bucket it comes from your cash is going to remain the same. The other big factor there are your ARPA funds, approximately \$118,000. Half of that we already have. We anticipate that other half coming in August but I have included in this budget expending all of those for an undetermined project. US Council when they initially put those funds out, I told you it had to be water, sewer and infrastructure. As we know they changed that. You can use it for operations if you choose. And you may choose to go ahead and fund some of those projects we already have included in this budget. I have looked at continuing operations at the level they currently are, taking into consideration what our department heads say their expenditures are going to be, a good estimate for next year. And if we didn't have any direct input there I looked at where I think we are going to end this year. I tried to add about ten percent (10%) to next year to account for inflation unless I knew something like we had this big repair last year. I don't expect that next year. I'm not going to budget for it. All other things being equal assuming those continued expenses plus an inflationary amount is in there. The big areas that we typically, beyond those operations, look at are utility rate changes, pay rate changes and big capital outlay projects. I think the best place to start is looking at those capital outlay projects so we have asked our department heads to let us know what's out there

they are going to need this next year. Unless you all already have some other questions." Peterson, "We do have some questions. What about if we need to rent another building or purchase another building?" Reed, "I do not have included in here any monies for that. In my mind I'm thinking Council may say I want to use the ARPA funds for that. Which I already have that included in the budget for undetermined projects. Council may say I want that project to be whatever we need to do for City Hall. Now \$118,000 sounds like a lot until you start looking at those kind of projects. And I think that is unknown unless you have more information since the last time I heard as to what that cost might be. And \$118,000 may not scratch the surface and it may get us in a good situation there. I don't know. So that really is our biggest unknown. I think everything else that your department heads have said that this is what they see on the horizon for the next year, the needs beyond our current operations this year, I think we have included all of those in here. Any other questions before we start looking at that capital outlay detail?" Peterson, "Any questions?" No questions. Reed, "I will direct you to page 10. This is not an official part of the budget. I add it in for Council so you all can see beyond our normal operations what do we really anticipate happening next year. Just for your reference here, that grayed out column was what we currently had in the budget for this year. That is not what's included for next year. What's included for next year is that boxed in area. So if it is here on this schedule it flows back into that budget and is included in our total expenditures for next year. I also went ahead and showed you if we anticipate funding for grants or if we anticipate funding thru restricted cash. Not that that impacts total cash but it helps you all understand how much of this is coming out of our operational profits that we are going to go ahead and spend on these projects. We could start with the General Fund. Since we are PWS let's start with PWA which is down at the bottom of page 10. You can see in General Government we have \$2,400 included in there to include desks and chairs for the office staff. I think Jerri had explained before that theirs are literally coming apart at the seams. In our Water Department \$27,000 for a new lake pump, about \$2,500 for new meters. Of that \$2,500 we anticipate being able to use that restricted tech fee for that. Same thing with those water plant updates at \$6,500, \$2,500 for the docking station. We have in here the \$17,000 for the fire hydrants and valves. As I understand that is a continuing need and if I understand correctly our approach is to replace a certain number each year. As William pointed out our number we'll get to buy next year is probably less than this year. It is included at that \$17,000. We have just miscellaneous water parts and pipes included at \$22,000. And then our Utility Tech Services, part of the water meter expenses at \$45,000. And again we expect that to be able to use that restricted Tech Fees for that. In our Water Department a total of \$140,000 included in the budget for those. And then at the top of Page 11 KPWA continues with that water cannon at

\$49,000. Again if it is purchased this year it will remove from here and go to next year. Your ending cash is going to remain the same. Obviously we have those monies available from our insurance. So in total in our KPWA included in this budget is about \$192,000 in anticipated capital outlay. These are projects beyond our normal operations. William is the one who helped us with what those needs were going to be. You can see we are anticipating spending about \$124,000 from some restricted funds for those bringing our operational costs, money we are going to take from our profits and other unrestricted funds, at \$68,000 in our PWA. Vanblaricom, "Ok for last year's budget, don't get me wrong, was \$166,000. That is what our budget for last year was for 21-22. So in 22-23 we are going to \$92,000." Reed, "That's what is anticipated. For instance the water cannon is obviously in both places. We are not going to buy it twice. For budgeting purposes they are included in anticipation if we don't get to purchase them this fiscal year, which by the way when we are here in June we'll do budget amendments. The budgetary requirements is we don't spend more than what you all have approved. The June budget amendments especially if we don't know when things are going to come in, are we going to pay that in June or July, is the invoice going to come in, etc., you may see some duplications of expenditures. That's not going to change the cash but it keeps us within budget compliance. The June budget amendments tend to be a little more generous in anticipated expenses with the knowledge if things go terribly wrong in June we still have enough in our budget that we are not out of compliance and therefore have to come have another special meeting on June 29th. So that is reflected here on like those water cannons. So that obviously we are not going to do in both places. If you were to deduct that \$49,000 you would enter up with closer to \$80,000 last year. We haven't spent it all." Vanblaricom, "Right. And then we take the \$65,000 off of it because that is insurance correct?" Reed, "The \$49,000 is insurance." Vanblaricom, "I thought there was another one too that we had. What was the \$65,000 for? There was \$65,000 for something. I bet it was for that root stuff we had." Reed, "that was \$59,000. I have that." Vanblaricom, "But we don't." Reed, "Originally you were right. Council had that and anticipated using that for that water plant. You still can. We're not required to. We now have the availability to spend it on any normal operations, if council says we want to direct that money there. It's budgeted for an undetermined project and for the water plant updates, council does have that flexibility. But I'll note for you up in the General Fund at the top of page 10, we have included in there the AARP Project at the \$118,000 with anticipation of those grant funds being used. That's an undetermined project. If Council says we want to use that toward the water project that will leave us \$50,000ish in there and Council could say I just want to use that for operations. I want to pay our electric bill, pay for our insurance and all those kind of things. Or council could say I want to keep that money

restricted. I don't know what's happening at City Hall and I want to be sure I have some funds separated for that. Yes, we did originally talk about that. I have moved them into available for other projects only because the government said we could. But you don't have to." Vanblaricom, "So the only thing that we have for insurance wise or any of that purposes is the \$49,000 for the water cannon and that's it?" Reed, "Yes, and that's setting currently in our cash. So when we looked at what those cash balances were, that \$49,000 is setting in there. And in this budget it's included in those beginning numbers. When you look at beginning resources that \$49,000 is included in that because we already have that cash. Those are sort of the special projects in the PWA. I will note for you at the bottom of page 11 or near the bottom of page 11 the total on those. Between our restricted Street and Ally, our General Fund and our PWA we budgeted about \$369,000 in those Capital Outlay Special Projects next year. Is the easiest thing you think to go ahead and go through the other funds while we are talking about this? Obviously the budget that we adopt is going to be in total and what happens in one fund impact the others. Would you all like to go ahead and go thru the other capital outlay?" Peterson, "Do you all want to go thru them or can you read them yourself?" Vanblaricom, "Well she's talking about going thru all of it but we'll have to discuss it when we get to the city part of it. It is on the agenda." Reed, "It is, and it's proper that it's on both. Sometimes when you piecemeal it becomes a little harder to kind of capture it all together." Vanblaricom, "Yeah, I just want to go over the whole part about this budget reflects an eight percent (8%) in sewer, water and trash." Reed, "It does currently." Vanblaricom, "And where does it show the pay?" Peterson, "Right here on the back." Reed, "Yes, I mistakenly did not get that updated in the memo. It really does reflect an 8.7% across the board pay change." Vanblaricom, "And how does that offset?" Reed, "You mean how much is each of them?" Vanblaricom, "Well you are raising the rates. You have eight percent (8%). And then you are turning around and giving an eight percent (8%) in pay. How is that offsetting? Where is the gain in this?" Reed, "They're connected because of inflation rate. I talked to you before about keeping those utility rates in line with inflation and always a starting point as well for our employees. If we have the right employees, they are doing the job and all of that." Vanblaricom, "I understand that. I get that part." Reed, "You're asking how much is the dollar amount?" Vanblaricom, "This is not just affecting us. It's affecting this whole community. It's going to be very hard on this community." Reed, "You all have the ability to make those changes. This is a starting point for discussion. So if we just did an 8.7% across the board, let me just make sure, the total dollars would be anticipated somewhere in the \$38,000 on the payroll side. Let's add about ten percent (10%) to that because of the taxes that are associated with that. So you are looking at \$41-42'ish. Anticipated amounts for the utility rate changes somewhere within the \$48,000

range. A net gain of \$7,000 or \$8,000. Does that make sense? How much are we really quote, unquote gaining on that? How much of that is eaten up if we do that? You would end up with a net plus of we'll say 7ish. Keep in mind I have also included a retirement plan for our full time employees at the three percent (3%) which I know we are not even close to implementing that. That, just as an FYI, is estimated at about another \$8,000. So if Council chooses not to move forward with that or moves forward at a different level that \$8,000 will change. Obviously if we don't do anything it's going to be zero. Honestly three is lower than what I typically see. It's typically higher. It's a 6, 7, 8 is more common." Vanblaricom, "Let me ask you. Does the numbers that are always being thrown out there at us and stuff, the other towns that are used to justify that, those towns that have been provided to us have a bigger revenue than what we have? The numbers reflect the number of the population of the town not the revenue that those towns provide. And the towns that were provided to us, yes our population is the same or maybe a little bit more, but the revenue is not the same." Reed, "So our revenue is less?" Vanblaricom, "Our revenue is less than all the towns that have been provided to us." Reed, "I haven't seen that data." Vanblaricom, "Our revenue is a lot less. Theirs is a lot more than ours." Reed, "Well I haven't seen that data. I would love to see that." Vanblaricom, "It doesn't say that on the deal but you if you know those towns you know what their revenue is. And their revenue is a lot more than this town's." Reed, "What did William say? Our largest revenue driver on the PWA is our water. And the largest customer, correct me if I am wrong Jerri, is our rural water which is restricted by contract. So we have to follow that contract as rocky as it might be. Until that contract gets changed we have to follow that. What did he say they use? Half of what we produce? Do you recall?" Vanblaricom, "They use three quarters." Ellis, "They use a lot more than half." Reed, "So what ends up happening is a lot of our water is constrained by that contract as to what we can charge them. So, you are probably right. If they either don't sell to an outside customer like that or depending on what their debt service is. I mean do they have an RO Plan? We have three USCA Notes that are out there. It takes about a \$125,000 I think each year for our debt service. Did I say that right? \$114,000. So all of those are factors. I mean certainly it's not bad to compare to others." Vanblaricom, "I'm just saying those are the numbers that area being thrown at you. If your saying apples to apples and not apples to oranges and these are the towns being provided, they have a lot bigger revenue sources than we do." Reed, "I haven't seen the data or where we got it from. How reliable that is doesn't necessarily change what is going to happen here. I understand it is hard to go talk to citizens and say well down the road it is less expensive. Why is it more expensive here? There are some key factors and our largest driver that is new this year is our anticipated restricted revenue source in our general fund. And that's huge guys.

Actually the years that they looked at we are looking at a \$500,000 difference. We're not making that up on utility rates obviously. The good news is you all have walked into it with some cash in the bank. I've seen other towns are a little more free with their spending and get into a situation like that and have nowhere to go. You all are not in that situation thankfully. Yeah, Regina you are probably right. If we looked at all of their factors I am kind of guessing there are some key drivers. I am guessing our water would be my guess. You know we had to recalculate our water rate for upcoming. The way that they did it in there I have never seen it done this way so when I talk about inflation rate it's cumulative. And so when you look at it, it assumes, and I think when was it 82, 83 at basically ground zero. And so everything that goes up from there is cumulative. Well the way that this contract is written you stay at your same base rate it never accumulates. I've never seen that before but that is the way it is written and we have to do it until it gets changed. Honestly your biggest factor might be that your base rate on that contract is \$3.50. I don't know how they calculated that but just a real quick overview. Did I share with you what that calculation was Jerri?" Ellis, "Yes." Reed, "I'll say this. This is just a high level. I did not dig into it because really your cost of your water production, if you look at that, when you sell to an outside customer it should be just the cost of that water. So if we repair water lines within city limits those outside customers are getting no benefit from that. Those costs have to be extracted from that. But if we are upgrading our water plant they get the benefit of that. We pay our people. They get the benefit of that. All of those kind of expenses get included in what it cost us to produce water. And so it was a high level. I had not gone thru to say was that repair in city limits or outside, did it impact them or did it not, blah, blah, blah. But a high level overview that \$3.50 was way off. Where did I come up with it? If you look at the amount that they purchase, if that base rate was \$4.00 instead of \$3.50 it changes dramatically what that bill is given what their consumption is. We can't change it right now. We have to work with what we currently have. And maybe when we dig into it it's not quite that dramatic. I think you all would have a better feel that I would as to how much of our expenses are for repairing water lines in town versus keeping our plant running, buying the chemicals, people, etc., etc. Just a high level review looks off. So Regina, that's our biggest customer, their payment amount looks like maybe it doesn't reflect our costs and therefore you are probably right. If these other towns you are looking at, they probably do have a different situation than that. It doesn't change, I don't think, what is going to happen this next year. If anything changes with that contract obviously moving forward that would have a strong impact. I have had some councils because inflation is so steep right now, it is a hard pill to swallow 8.7. I've had some councils they are based on 9.1. They are comfortable at 5% right now, 6% right now but they reevaluate it in six (6) months. And if inflation is continuing to drop and

our numbers look good we might stay where we are. If things are going in the wrong direction we may take action at that time. You all have the ability to do it at any time in the year. Beginning of the fiscal year is just a good time to look at that. As I said it is a starting point for discussion on this next fiscal year." Peterson, "Does anyone else have any more questions?" Reed, "I will point you to the very last page. I went ahead and calculated for you if we change those utility rate for your minimum usury it would be a \$6.04 change per month or about \$72.50 per year. As I said each one percent (1%) is about 69 cents per month. That always helps councils to kind of see. Everyone is always worried about the little lady who lives on social security for a valid reason. Those are customers we want to be mindful of. This calculate for you should you make that choice, that's the impact to that particular customer and of course with each tier that amount increases as the consumption increases. Those are the big items. I will go ahead, as I have not pointed it out, to page 2, the budget summary. I have calculated in those gray boxes the implication of moving that \$430,000 or so dollars previously restricted funds back into our unrestricted since they were spent for restricted purposes showing total revenues of about 1.7 Million. Total expenditures budgeted at about \$2 Million. Showing that net change, it is a net change in the negative. This change is more than we anticipated bringing in next year primarily for those reasons I have pointed out but still ending the year with some unrestricted cash at about the one year mark which is in a very good financial situation at the end of the year. I'm not typically super comfortable saying we are going to spend \$300,000 more next year that I think we are going to bring in but when we asked our department heads to look forward another year and let's face it, they are doing their best and nobody can predict the future, their anticipated needs moving forward appear to be less. Now the police said they were going to need a vehicle. That's going to be about \$50,000. And we do have some sewer upgrades that we don't know what that's going to be. That's an unknown. But we have \$368,000 included in here in budget in capital outlay this year that we don't anticipate necessarily. If it's at that level again next year and our numbers look the same I will have a different outlook on that. When we start building those funds this is what typically happens. You have years where your expenses are less, your revenues remain steady, and you build those funds. And you have big projects. So you take some of those funds that we saved and spend it on those big projects. And then we build back, build back, build back and we have projects. Anticipating this is a year which we are needing to do those projects and anticipating moving forward those projects will not be at this dollar amount. And that you all do have available cash gives me comfort in a budget that looks like this. Depending on what happens next year, if it looks like this next year, I am probably going to have a whole different discussion for you. So those are the big factors here. Everything else I will point out for you for instance on page 3, just so you all can

see, this budget document, this format, by statute we have to do it this way. It's that far right hand column that says proposed budget that we are including for this next year. All this other is informational. It's really that far right column that is included for our next year. As you go through all that detail try to keep that operational expenses moving forward, big changes, utility rate, capital outlay, pay changes. Any questions right now? I would love to hear feedback. Ideally when we come in June I can bring a budget that Council feels comfortable with and will adopt it. I don't have to hear all the feedback tonight. You all know how to contact me. You know how to contact Jerri. Let me know which direction you are leaning toward but ideally when we come in June I can bring a budget that Council will feel comfortable with and we can adopt it. I don't have to hear all the feedback tonight. You all know how to contact me. Or you can contact Jerri. Kinda let me know which direction you are leaning but ideally we will come in June and present a budget that Council will feel comfortable moving forward with next year. I will let you all discuss."

3. **Discussion and possible approval to set a date for public hearing and adoption of fiscal year budget 2022-2023.** Peterson, "What's good for everybody?" Reed, "Just so you know we have a public hearing at least by June 15th. Typically you have a public hearing first and then the adoption right after that. For me I could do June 13th, 14th, or 15th would be the best days. I could do June 6th if anyone is interested in that Monday." Hall, "We have basketball camp." Reed, "Oops, that's not a good one." Peterson, "That whole week is out." Reed, "We just need a quorum, at least three to be here during that time." Peterson, "When? June 13th?" Reed, "the 13th, 14th or 15th. Any of those days work?" Peterson, "Any of them." Nichols, "They are all good with me." Peterson, "I can't do the 6th." Reed, "You can't do the 6th? Between the 13th, 14th and 15th any preference between those?" Sexton, "the 14th or 15th work better for me." Reed, "Ok, do we want to do the 14th?" Peterson, "Ok, what time?" Reed, "Whatever time works for you all. We'll publish it and let the public know. Any time that everyone is available. What works best for everyone?" Vanblaricom, "What's the date of court date? Thursdays? Ok, so it wouldn't interfere with that." Peterson, "So 6:00? Will that be alright?" Reed, "OK. We'll do it on the 14th at 6:00 PM." Ellis, "So we will post the public hearing and then have an agenda to adopt?" Reed, "Yes. And we will publish the date and time and location of the public hearing. I assume we will have it up here and next on the agenda would be adoption by council." Ellis, "And how long do we have to keep the public hearing open?" Reed, "Pat do you typically see them set a time on that for the public hearing? Like 15 minutes?" Layden, "Yeah, you put the date and time." Ellis, "What we found is we always kept open for thirty (30) minutes. Nobody usually ever shows up. So we can't just call it you know." Layden, "You set your meeting time, post it in your notice and start your meeting at whatever time and if no one shows up

then no one shows up. And then go ahead and proceed on to the next step." Reed, "That's what I typically see happen. Public hearing starts at 6. If no one is here to discuss that with council then move on. There are no other requirements." Layden, "Some people wait a few minutes and then say ok, no one showed up and let's move on to the next." Peterson made a motion to approve June 14th at 6:00 P.M. to adopt the budget and have a public hearing for the year budget for 2022-2023. Hall seconded the motion. Hall-yes, Peterson-yes, Vanblaricom-yes, Nichols-yes, Sexton-yes, Ellis-yes, Johnston-yes. Motion carries.

4. **Discussion and possible approval to remove Meredith Hatridge from all PWA First Bank accounts.** Peterson made a motion to approve to remove Meredith Hatridge from all PWA First Bank accounts. Hall seconded. Hall-yes, Peterson-yes, Vanblaricom-yes, Nichols-yes, Sexton-yes, Ellis-yes, Johnston-yes. Motion carries.
5. **Discussion and take action to challenge RWD #11 contract.** Peterson, "Pat we are wanting to go to court with Rural Water I guess. And all that entails." Layden, "Well on what issues, just what we've been fighting about?" Vanblaricom, "Well it's kind of like they have a set limit, and Jerri, you can probably explain it better than I can. It's what they are paid. Their CPI Index says one thing but ever year it goes right back to the bottom of the CPI Index so we are not gaining anything, any ground whatsoever." Layden, "Isn't there some kind of Federal Consent Order that we are under and we are bound to that for a certain amount of time?" Ellis, "No, just according to this contract we have to go by this formula. This is the newest contract which is amended to the 1997 contract. You know they got the free water." Layden, "So that's expired?" Ellis, "Yes, so now we have to go by this formula each May 1st according to CPI Index. So their starting point is \$3.50. So instead of being \$3.50 we raised it twenty cents last year and then it is going to go up forty cents this year. We have to start back at \$3.50 every time. Every year \$3.50 and we can only raise it that much and then go back to \$3.50 and raise it that much according to this contract." Layden, "So we have a current contract with them?" Ellis, "Yes." Layden, "But it changes every year based on the CPI Index?" Ellis, "Yes and you know it's high this year and it's time to raise their rates." Peterson, "And also they're supposed to have a tower but they don't." Layden, "So we were expecting them to build a tower and fix their lines and all that." Peterson, "And it was big talk until that came up and radio silence." Ellis, "And I don't know, this says dismissal of the law suit. I don't know what this means. It says upon execution of this agreement the Pit 11, the Town and the Authority shall file a joint mutual dismissal with prejudice of all claims of any type asserted in the lawsuit." Layden, "I think there was a lawsuit years ago, I think even before my time." Sexton, "I remember the lawsuit. And it was settled. For whatever reasons it was settled and there were terms and agreements." Vanblaricom, "No it went to court and judgment was given to them which is this new

contract that she is reading and stuff and it happened in 2016." Nichols, "That's where they got the free water. Part of the new contract was that agreement plus they changed the way we do the CPI Index when we are dealing with them. So the City is not gaining anything. We are staying at the bottom with them at all times. Our customers are staying way up here but they are staying way down here." Reed, "So just so you know I did that calculation off what it would typically be with the CPI and then what it was. So each year, up until this year." Vanblaricom, "That is when it was settled." Reed, "Starting in 15 the difference between using that accumulation hasn't been great because the inflation hasn't been great. So .001, .004, .008 until you get to this year and it's .058. Their new rate is going to be \$4.22 starting this year. If we had used the accumulation it would be \$4.28. When we calculated it this year it's not maybe \$2,800 in total. So not big dollars in that regard. The potential is that that \$3.50 base is way off of our current costs potentially. Does anybody know where that \$3.50 came from?" Peterson, "No." Reed, "We got to looking, pulling out expenses just for the town, etc. The big picture doesn't look right." Vanblaricom, "What is our current rate with them right now?" Ellis, "\$3.94." Vanblaricom, "\$3.94. Checotah, their rural water pay \$5.18 per 100 gallons. Per 1,000 I mean." Layden, "We either need to try to negotiate and try to work something out with them like we've tried to do in the past or we can sue them basically for breach of contract, that they haven't fulfilled their end of the bargain. They haven't done what they are supposed to do. Basically I have to look at it and see if we can set the whole thing aside. That would be if we wanted to take proactive action. You could do things to make them take proactive action. Basically, slow down their water, raise their prices, or do something. Something that's not per the terms of the contract on your side that would cause them to sue you somehow." Peterson, "I don't know what anybody else thinks but I'm not interested in doing any of that. If we can be done with this that would be great." Layden, "But it would be a lawsuit. If you have a contract it would be a lawsuit essentially to just to try to set aside that contract, try to get a judge to say that contract is not binding, to throw it out, dismiss it, and start over, to do whatever you are going to do. And that would require legal action. And I want to say, I've heard talk about it for the last year or so but I'm not going to sit here and tell you whether we would be successful or not. Based on that I will get with Jerri and go thru that contract to study and see what our position would be. And it sounds to me like you guys are at least considering wanting to basically file some kind of lawsuit to do away with the contract." Peterson, "I agree." Layden, "I would be glad to look at the contract. I don't think I have ever read the whole thing." Ellis, "Like this reflects off the 97. It is just an amendment to that." Ellis, "I have them like all together." Layden, "You have to try to say what was done in 97 in that contract and then look and see what we can do to get a court order to get them to agree just to do away with all that and kinda

start over." Peterson, "OK." Layden, "Based on that I'll get with Jerri and try to get those documents and study them and try to have an answer for you by the next meeting on what our best course of action would be." Peterson, "Thank you Pat."

6. **Discussion and possible approval for rate change for RWD #11.** Hall, "Didn't we just do this?" Peterson, "Not to change it. The new rate would be \$4.22?" Ellis, "Yes. So it would be raised .29 cents right?" Vanblaricom, "So it is going from \$3.53 to \$4.22." Peterson, "\$3.53? \$3.93." Vanblaricom, "\$3.93 to \$4.22." Peterson, "Yes." Peterson made a motion to approve a rate change of .29 cents from \$3.93 to \$4.22 for RWD #11. Hall seconded the motion. Hall-yes, Peterson-yes, Vanblaricom-yes, Ellis-yes, Sexton-yes, Nichols-yes, Johnston-yes. Motion carries.
7. **Discussion and what action to take for beauty shop @ 634 S Dewey on water and sewer services.** Ellis, "I know William called you all about they came in and got an occupation license because it's a licensed beauty shop which we haven't got it signed yet. The beauty shop is connected to the house meter like the RV Park was connected to the daycare. We made them change it. So I called them and told them you are going to have to have a meter for the shop, because it's a business, in order to get your occupation license. She is renting the building from the owner and they just haven't called back and done anything. I am just assuming that they are just hanging on. She hasn't come back and asked for her occupation license which I told her we weren't going to issue it until this was taken care of. I don't know how we need to handle that. But that is a commercial rate. That's a business. She's gone through the State to license it. We should be getting the benefits of it being a business." Vanblaricom, "What kind of ordinances do we have on businesses? Do we have a city ordinance or anything?" Ellis, "For what?" Vanblaricom, "For businesses and stuff." Nichols, "We have a commercial rate, a residential rate." Vanblaricom, "She is trying to circumvent the system is what she is trying to do. Her water is coming from a private residence which is owned by somebody totally different." Layden, "But she is getting the use and benefit of the water?" Vanblaricom, "Yes and that home owner." Layden, "Whoever gets the bill I would say send them the commercial rate." Vanblaricom, "Even the private residence?" Layden, "Yeah, because it is being used for commercial. Let them come and argue and say what their position is." Nichols, "The bill is still in the owner's name?" Ellis, "Uh huh." Nichols, "Can she just pay them her part or whatever?" Vanblaricom, "Well, it's kinda like we had up here with the convenience store." Nichols, "Charge the owner a commercial fee." Layden, "If she doesn't pay it cut it off. If she wants to come up here and do something she can." Ellis, "She is still going to get around the meter deposit, the water tap, all of the commercial." Layden, "There is already a water tap there and a meter." Peterson, "There is, it goes to the house." Vanblaricom "And the homeowner is probably not going to want to pay a commercial rate. He's probably

going to tell her she has to get her own stuff." Peterson, "Because that is what I've told others just this past week. That's just what they've got to do. If they want to open up a business and they don't have a sewer tap and water then they need to come up here. That's what I've told others this week." Vanblaricom, "They're not going to want to pay those rates." Peterson, "not from one to another to help somebody out. All of a sudden things change."

8. **Discussion and possible approval to accept quote from ATS Irrigation for water traveler (cannon).** Ellis, "I messed up. The quote isn't from ATS. But the quote is in the packet and this is actually the company he wanted to purchase from as long as they are like Savanna's." Peterson, "Oh I've seen those. OK. So we have this money, right?" Ellis, "Yes." Male, "And he said it's in stock." Vanblaricom, "yes, that's what they said." Nichols, "It's all in stock and ready to go." Sexton, "And it's below the budget right?" Vanblaricom, "Yes." Ellis, "So my question is if we don't use the whole \$49,000 then what happens to the remainder?" Reed, "It just becomes available for other uses. I've never seen an insurance claim yet that puts additional restrictions on it. What's the amount on your quote?" Ellis, "\$34,800." Reed, "I like it. Awesome!" Sexton, "Which motor are we getting?" Ellis, "It's that bottom one I think." Peterson made a motion to approve to accept the quote from Hudson Irrigation in the amount of \$34,800 for a water cannon." Vanblaricom seconded the motion. Hall-yes, Peterson-yes, Vanblaricom-yes, Nichols-yes, Sexton-yes, Ellis-yes, Johnston-yes. Motion carries.

NEW BUSINESS:None

PUBLIC DISCUSSION:None

ADJOURN:Peterson made a motion to adjourn for five (5) minutes at 7:42 P.M.

IF ASSISTANCE IS NEEDED PLEASE NOTIFY THE CITY HALL AT 918-432-5621, 23 HOURS IN ADVANCE.