

OSAWATOMIE CITY COUNCIL

AGENDA

March 9, 2017

6:30 p.m., Memorial Hall

1. Call to order
2. Roll Call
3. Pledge of Allegiance
4. Invocation
5. Consent Agenda
 - Consent Agenda items will be acted upon by one motion unless a Council member requests an item be removed for discussion and separate action.*
 - A. March 9 Agenda
 - B. Council Minutes for February 9 and February 23, 2017
 - C. Pay Application No. 3 (Final) – CDBG Sports Complex – McConnell – \$15,783.50
 - D. Lien Release - CDBG Sports Complex – McConnell
 - E. KDHE Tri-Annual Water System Assessment
6. Comments from the Public
 - Citizen participation will be limited to 5 minutes. Stand & be recognized by the Mayor.*
7. Presentations & Proclamations
 - A. Proclamation – Meals on Wheels Month
8. Public Hearings
 - A. CDBG Closeout Hearing – Streets (6:30)
 - B. CDBG Closeout Hearing – Sidewalks & Sports Complex (6:45)
9. Unfinished Business
 - A. Deed of Dedication – Industrial Drive
10. New Business
 - B. Appointment to KMEA Director Position
 - C. Grocery Store Status and Strategies
11. Council Report
12. Mayor's Report
13. City Manager & Staff Reports
14. Executive Session –
15. Other Discussion/Motions
16. Adjourn

NEXT REGULAR MEETING – March 23, 2017

Osawatomie, Kansas. **February 9, 2017.** The Council Meeting was held in Memorial Hall. Mayor Govea called the meeting to order at 6:30 p.m. Council members present were Dickinson, Hunter, Hampson, LaDuex, Maichel, Walmann and Wright. Also present was City Manager Don Cawby, City Attorney Dick Wetzler and City Clerk Tammy Seamands. Members of the public were: Interim Police Chief David Ellis, Interim Assistant Police Chief David Stuteville, Public Safety Officer Joseph Hawk, Detective William Bradshaw, Dave Peterson with JEO Consultants, Dan Macek, Brenda Haight, Dean Inscore, LeaAnn McGuire, Dillon McGuire, Brandon Law, Seresa Law and Charity Keitel with Miami County Replublic.

INVOCATION. Brenda Haight, Vineyard of Hope

CONSENT AGENDA. **Motion** made by Hunter, seconded by LaDuex to Approve the Consent Agenda as presented. Yeas: All.

COMMENTS FROM THE PUBLIC.

Brenda Haight, with Vineyard of Hope mentioned that they changed their service times at the church to 10 a.m. and 6 p.m. Also, one of their goals is the help the community with their needs, as well as their spiritual needs.

Dean Inscore, 212 Brown Ave, advised the council that he has noticed there are a lot of older homes starting to be torn down in town, but nothing new is coming up. He wants the council to consider financial incentives such as permits and utilities to possibly help bring in new growth.

PRESENTATIONS. None.

PUBLIC HEARINGS. None

UNFINISHED BUSINESS.

ELECTRIC GENERATION PROJECT – JEO PRESENTATION AND PROJECT UPDATE. Dave Peterson, with JEO Consultants, updated the council on the project while he was in town for bid openings on the construction of 9th Street Substation. No Action Taken.

DEED LAND TO TRI-KO. City Manager Cawby advised the Council that we now have a legal description and survey for the property, but the return deed of dedication for the right of way is not complete. He is recommending to approve the deed subject to a signed deed of dedication for the right of way. **Motion** made by LaDuex, seconded by Hampson to Approve the Deed Land to Tri-Ko Subject to a Signed Deed of Dedication for the Right of Way. Yeas: All.

NEW BUSINESS.

COUNCIL VACANCY – NOMINATING COMMITTEE REPORT.

COUNCIL VACANCY – APPOINTMENT TO VACANT WARD 2 COUNCIL SEAT.

The nominating committee, comprised of Mayor Govea, President Hunter and Ward 2 Councilman Kirk Wright, met to consider candidates. The committee nominated Dan Macek to fill the vacancy on Ward 2. **Motion** made by Hunter, seconded by Wright to Approve the Appointment to Dan Macek for Ward 2. Yeas: All.

City Clerk, Tammy Seamands, administered the Oath of Office to Councilman Dan Macek.

RON'S COUNTRY MARKET – REQUEST FOR DEPOSIT REFUND. Skipped over until after Item 10.F. City Manager Cawby spoke, in the absence of Ron Kleier, to explain Ron's request. Ron contacted the City to ask if the City would be able to speed up the return of his utility deposit to be used for operations. City Manager Cawby reported that he explained to Ron the deposit was based on the utility history of the building prior to his purchase and that based on the current equipment and billing it looks like his bills are less. Cawby told the Council he offered a decrease in deposit from \$9,700 to \$8,000, which Cawby is authorized to do. However, Cawby informed Ron that he would need to go before the Council to request a departure for the billing policies and explain the request to receive the full amount. City Manager reported to the Council that Ron said he would like to be on the next agenda to ask for the full amount and to delay any action on the \$1,700 reduction in the deposit. The Council took no action as Ron Kleier did not attend the Council meeting.

2017 GOLF COURSE CONTRACT – GREATLIFE GOLF AFFILIATION. City Manager Cawby explained that Bryan Minnis with Maxim Golf, has been providing us with contract general management services for the last two years. Mr. Minnis is now working with GreatLIFE Golf and Fitness providing the same services. Cawby reviewed benefits and changes of the new proposed contract with GreatLIFE. **Motion** made by Maichel, seconded by Hampson to Approve the Contract as Presented. Yeas: All.

2016 PRELIMINARY FINANCIALS. City Manager Cawby briefly reflected on each fund to explain the ending balances. General Fund is in good shape, the ending balance was increased by \$152,000 over the 2016 estimate. Water Fund balance was at \$59,000 over the revised estimate. Electric Fund balance was to increase, but yet stayed flat, due to a lot of changes in the year. Employee Benefit Fund came out about even. Street Improvement Fund balance increased about \$36,000 due to a reimbursement related to the planning of the Main Street Phase II Project. Sewer Fund finished with a \$153,000 balance. Golf Course Fund ended the year with a positive balance.

REQUEST TO PURCHASE POLICE CAR FROM KANSAS HIGHWAY PATROL. Interim Police David Ellis presented to the Council current issues that the department has with their vehicles and equipment. The 2017 budget of \$30,000 was going to be used to purchase a new Ford Explorer, but the cost to purchase new came in around \$39,000. Interim Chief David Ellis then decided they would purchase a used patrol unit from the Kansas Highway Patrol (KHP), with 49,000 miles, but later on found out it was not going to be available until August 2017. Based on these issues, Ellis proposed purchasing a used 2014 Dodge Charger from the KHP that would be within the \$30,000 budget and available almost immediately. Council

discussed options of used vehicles vs. new vehicles. **Motion** made by Walmann, seconded by Wright to Purchase a New Ford Explorer and Equipment with a \$40,000 cap. Yeas: 7. Nays: 1.

COUNCIL REPORTS.

Dan Macek mentioned there was 145 days until the 4th of July, he's working on the firework stuff.

Lawrence Dickinson was not at the last meeting and missed the new officers, so will stop by to introduce himself.

Ted Hunter mentioned that someone has told him that it's interesting that we don't have cops, we have police officers.

Nick Hampson jokingly mentioned he thought the Council should drive the new Ford in the parade.

Tamara Maichel wanted to thank everyone for allowing her to serve 10 years with the council.

MAYOR'S REPORT.

Rural Fire Board is going to a budget and looking at their water rescue team. Heard someone say that Osawatomie has had more taken place in the last 18 months, than they have in the last 18 years and it made him feel good.

CITY MANAGER'S REPORT.

Notified from the State that Silver Coatsm a program that helps with levee engineering assistance, are going to come in and help us do some work on the levee. We will have a meeting in the next couple of weeks and we will put something together to present after that.

Progress of Casey's and the Dollar General Store is going pretty fast with just a couple issues they have come across.

EXECUTIVE SESSION.

Motion made by LaDuex, seconded by Maichel to go into Executive Session for the purpose of discussing Non-Elected Personnel including the Mayor, City Council, City Attorney, and City Manager for 10 minutes ending at 8:24 p.m.

OTHER DISCUSSION/MOTIONS.

Motion made by Hunter, seconded by LaDuex to adjourn. Yeas: All. Mayor declared the meeting adjourned at 8:26 p.m.

/s/ Ashley Kobe
Ashley Kobe, Deputy City Clerk

DRAFT

Osawatomie, Kansas. **February 23, 2017.** The Council Meeting was held in Memorial Hall. Mayor Govea called the meeting to order at 6:30 p.m. Council members present were Dickinson, Hunter, Hampson, LaDuex, Macek, Maichel, and Walmann. Absent was Wright. Also present was City Manager Don Cawby, City Attorney Dick Wetzler and City Clerk Tammy Seamands. Members of the public were: Pat Huss, Pastor Debra Huss, Jim Mitzner, Matt Chilson, Quintin Chilson, Vicki Hays, Fire Chief Brian Love, Lance Kerr, Jennifer McDaniel and Charity Keitel with the Miami County Republic.

INVOCATION. Pastor Debra Huss with Let There Be Light Church

CONSENT AGENDA. Approval of February 23rd Agenda and Appropriation Ordinance 2017-01. Councilman Macek asked how we determine where we purchase some items, such as auto repair. **Motion** made by Hunter, seconded by LaDuex to approve the Consent Agenda as presented. Yeas: All.

COMMENTS FROM THE PUBLIC.

Pastor Debra Huss with Let There Be Light Church spoke about the children's service that they have offered since the fall of 2015. They meet twice a month to learn about respect and authority along with the bible. They invite all kids in the community.

Vicki Hays, 921 Pacific, expressed her concerns with cars with loud bass speakers and wondered if the City had a noise ordinance that could be enforced.

Quinton Chilson, Troop 106, was observing to earn a badge through the Scouts.

PRESENTATIONS. None.

PUBLIC HEARINGS. None

UNFINISHED BUSINESS.

ELECTRIC GENERATION PROJECT – AWARD BIDS – 9TH STREET SUBSTATION. City Manager Cawby discussed and presented the bids for the transformer and for the construction of the equipment and facilities recommended by our JEO Project Engineer. **Motion** made by Hunter, seconded by LaDuex to Approve \$283,019 to Virginia Transformer Corp for the Transformer and \$1,151,721 to IES Commercial for Group A & B on the Substation Construction. Yeas: All.

AFFECTED INTERCONNECTED FACILITIES SYSTEM STUDY AGREEMENT WITH SOUTHWEST POWER POOL. City Manager Cawby explained to the council that the next step in the Southwest Power Pool Study process is to request an Interconnection Facilities Study Agreement and provide a deposit. **Motion** made by Maichel, seconded by Hunter to Approve the Deposit of \$15,000 and Authorize City Manager to Submit the Agreement. Yeas: All.

NEW BUSINESS.

APPOINTMENT – PLANNING COMMISSION. City Manager Cawby advised the council that there are two positions that have expired positions on the commission. Brian King applied for other committees, but has shown some interest in this committee as well. Cawby recommends replacing Tom Burgin or Jim Mitzner whose positions have not been reappointed. Cawby noted Mitzner reapplied in December. **Motion** made by Hunter, seconded by LaDuex to Appoint Brian King on the Planning Commission to replace Tom Burgin. Yeas: All. **Motion** made by Hunter, seconded by Maichel to Complete his Term on the Planning Commission until the end of 2017. Yeas: All.

PROPOSED ORDINANCE – CANDIDATE PETITION REQUIREMENTS. **Motion** made by Hunter, seconded by Dickinson to Approve the Ordinance for Candidate Election Requirements. Yeas: All.

MOWER PURCHASE. Cawby presented the bids that were submitted for a mower replacement for the Parks and Facilities Division. **Motion** made by LaDuex, seconded by Hunter to Purchase the Kubota ZD1211 mower for \$12,775 from Romans Outdoor Power. Yeas: All.

APPROVAL OF CDBG CONTRACT – MAIN STREET PHASE II. Cawby explained the next step of Phase II for the Main Street Project is to approve a grant agreement with the Kansas Department of Commerce. **Motion** made by Hunter, seconded by LaDuex to Approve the CDBG Grant Agreement as Presented. Yeas: All.

COUNCIL REPORTS.

Jeff Walmann mentioned that he thinks we should have purchased three police vehicles at the last meeting.

Ted Hunter mentioned that it took crews just a couple of hours to fix an issue that he had called in and reported. This coming Sunday evening the United Methodist Church will be cleaning up downtown in the 500 block of Main Street. The progress of Dollar General is moving very quickly.

Lawrence Dickinson mentioned that on the 4th of March there will be a gospel concert at the Old Stone Church and there will be a chili feed at the Presbyterian Church beforehand.

Tamara Maichel wanted to compliment the city staff on how fast they took care of the alley easement issue that was spoke about at the previous meeting.

Karen LaDuex spoke to Bryce Smith with L&K Trash services regarding trash pick-up and he wants to be called if there are any issues that come up in the future.

MAYOR'S REPORT.

Mentioned he attended the FEMA meeting.

The high school called regarding the scholarships and asked if we should continue to do as we done last year.

STAFF REPORT.

Fire Chief Brian Love discussed the equipment currently at the Fire Department and what their needs are at this time. Love requested guidance on specifications for a primary city fire truck. He presented several options but recommended looking at purchasing a Quint because it has both ladder and pumper capabilities. He asked for some consensus so he could start putting together costs for presentation in the budget. The process is likely to be time consuming so he was seeking some consensus from the Council. The Council discussion generally agreed that a Quint was the appropriate truck to pursue.

CITY MANAGER'S REPORT.

Does want to work on the bass speakers issue by coming up with an ordinance for an upcoming meeting.

Attended FEMA meeting and they are doing map revisions that will take approximately 3 years.

Has met with John Worley to talk about the State Hospital Issues and met with Gary French to speak about the street project and other projects going on.

Has officially offered the Police Chief position to David Ellis and he has accepted.

EXECUTIVE SESSION. None.

OTHER DISCUSSION/MOTIONS.

Motion made by Hunter, seconded by Hampson to adjourn. Yeas: All. Mayor declared the meeting adjourned at 8:20 p.m.

/s/ Ashley Kobe

Ashley Kobe, Deputy City Clerk

APPLICATION AND CERTIFICATE FOR PAYMENT

AIA DOCUMENT G702

PAGE ONE OF 2 PAGES

TO (OWNER):
City of Osawatomie

PROJECT:
Karl E. Cole Sports Complex

APPLICATION NO: 3 - Retaina,

Distribution to:
 OWNER
 ARCHITECT
 CONTRACTOR

PERIOD TO: 12.31.16

FROM (CONTRACTOR):
MC CONNELL & ASSOCIATES CORP

VIA (ARCHITECT):
BG Consultants

ARCHITECT'S
PROJECT NO:

CONTRACT FOR:

CONTRACT DATE: 8/10/2016

CONTRACTOR'S APPLICATION FOR PAYMENT

CHANGE ORDER SUMMARY			
Change Orders approved in previous months by Owner		ADDITIONS	DEDUCTIONS
TOTAL			
Approved this Month			
Number	Date Approved		
1	9/8/2016		(980.00)
TOTALS		-	(980.00)
Net change by Change Orders		-	(980.00)

Application is made for Payment, as shown below, in connection with the Contract, Continuation Sheet, AIA Document G703, is attached.

1. ORIGINAL CONTRACT SUM	\$	158,815.00
2. Net change by Change Orders	\$	(980.00)
3. CONTRACT SUM TO DATE	\$	157,835.00
4. TOTAL COMPLETED & STORED TO DATE (Column G on G703)	\$	157,835.00
5. RETAINAGE		
a. 10% of Completed Work (Column D + E on G703)	\$	-
b. _____% of Stored Material (Column F on G703)	\$	-
Total Retainage (Line 5A + 5b or Total in Column I of G703)	\$	-
6. TOTAL EARNED LESS RETAINAGE (Line 4 less Line 5 Total)	\$	157,835.00
7. LESS PREVIOUS CERTIFICATES FOR PAYMENT (Line 6 from prior Certificates)	\$	142,051.50
8. CURRENT PAYMENT DUE	\$	15,783.50
9. BALANCE TO FINISH, PLUS RETAINAGE (Line 3 less Line 6)	\$	-

The undersigned Contractor certifies that to the best of the Contractor's knowledge, information and belief the Work covered by this Application for Payment has been completed in accordance with the Contract Documents, that all amounts have been paid by the Contractor for work which previous Certificates for Payment were issued and payments received from the Owner, and that current payment shown herein is now due.

CONTRACTOR: MC CONNELL & ASSOCIATES CORP.

1225 IRON STREET
NORTH KANSAS CITY, MO 64116-4008

By: [Signature] Date: 1.3.16

State of: Missouri County of: CLAY
Subscribed and sworn to before me this 3 day of Jan, 2017
Notary Public: [Signature]
My Commission expires: 11/10/17

DAWN R. SPEARS
Notary Public - Notary Seal
State of Missouri
Commissioned for Clay County
My Commission Expires: October 10, 2017
Commission Number: 13777096

ARCHITECT'S CERTIFICATE FOR PAYMENT

In accordance with the Contract Documents, based on on-site observations and the data comprising the above application, the Architect certifies to the Owner that to the best of the Architect's knowledge, information and belief the Work has progressed as indicated, the quality of the Work is in accordance with the Contract Documents, and the Contractor is entitled to payment of the AMOUNT CERTIFIED.

AMOUNT CERTIFIED \$ 15,783.50
(Attach explanation if amount certified differs from the amount applied for.)
ARCHITECT:

By: [Signature] Date: 1-3-17
This Certificate is not negotiable. The AMOUNT CERTIFIED is payable only to the Contractor named herein. Issuance, payment and acceptance of payment are without prejudice to any rights of the Owner or Contractor under this Contract.

CONTINUATION SHEET

AIA DOCUMENT G703

PAGE 1 OF 1 PAGES

AIA Document G702, APPLICATION AND CERTIFICATE FOR PAYMENT, containing

APPLICATION NUMBER: 3

Contractor's signed Certification is attached.

APPLICATION DATE: 1.3.16

In tabulation below, amounts are stated to the nearest dollar.

PERIOD TO: 12.31.16

Use Column I on Contracts where variable retainage for the line items may apply

ARCHITECT'S PROJECT NO:

A ITEM NO.	B DESCRIPTION OF WORK	C SCHEDULED VALUE	D WORK COMPLETED		F MATERIALS PRESENTLY STORED (NOT IN D OR E)	G		H BALANCE TO FINISH (C-G)	I RETAINAGE
			FROM PREVIOUS APPLICATION (D + E)	THIS PERIOD		TOTAL COMPLETED AND STORED TO DATE (D+E+F)	% (G+C)		
	Mobilization	\$1,450.00	\$1,450.00			\$1,450.00	100%	\$0.00	\$145.00
	Contractor Construction Staking	\$850.00	\$850.00			\$850.00	100%	\$0.00	\$85.00
	Removal of Existing Structures	\$750.00	\$750.00			\$750.00	100%	\$0.00	\$75.00
	Unclassified Excavation	\$6,000.00	\$6,000.00			\$6,000.00	100%	\$0.00	\$600.00
	Compaction of Earthwork	\$600.00	\$600.00			\$600.00	100%	\$0.00	\$60.00
	Aggregate Base	\$1,275.00	\$1,275.00			\$1,275.00	100%	\$0.00	\$127.50
	Extend Tennis Court Pavement - Concrete	\$45,450.00	\$45,450.00			\$45,450.00	100%	\$0.00	\$4,545.00
	Acrylic Surfacing	\$29,925.00	\$29,925.00			\$29,925.00	100%	\$0.00	\$2,992.50
	Basketball Goal with Pole and Footing	\$11,160.00	\$11,160.00			\$11,160.00	100%	\$0.00	\$1,116.00
	Tennis Court Net with Poles and Footing	\$4,000.00	\$4,000.00			\$4,000.00	100%	\$0.00	\$400.00
	Chain Link Fence	\$52,360.00	\$52,360.00			\$52,360.00	100%	\$0.00	\$5,236.00
	Electrical Conduit	\$4,995.00	\$4,995.00			\$4,995.00	100%	\$0.00	\$499.50
	Change Order 001	(\$980.00)	(\$980.00)			(\$980.00)	100%	\$0.00	(\$98.00)
		\$157,835.00	\$157,835.00	\$0.00	\$0.00	\$157,835.00		\$0.00	\$15,783.50

WAIVER & RELEASE OF LIEN

PROJECT: Karl E. Cole Sports Complex
JOB NUMBER: N/A

OWNER: City of Oswanton

WHERE AS THE UNDERSIGNED Contractor, Subcontractor, Supplier, Architect or Engineer, has provided labor, services, materials or equipment, for the above project, under an agreement with:

Bly Consultants

In its capacity as Owner or Owner's agent, Contractor, Subcontractor, Architect or Engineer

Section A: (check and initial only one of the following indicating if this is a Partial or Final Waiver)

PARTIAL WAIVER AND RELEASE: IN CONSIDERATION OF PARTIAL PAYMENT for labor, services, materials or equipment provided in the amount of: (\$) covering the following Payment Request(s) or Invoices(s):

Together with any previous payments(s) already received, but excluding any retainage or any labor, services, materials or equipment provided after the date of:

OR

FINAL WAIVER AND RELEASE: IN CONSIDERATION OF FINAL PAYMENT for all labor, services, materials or equipment provided in the amount of: \$ 15,783.50 covering the following Payment Request(s) or Invoices(s):

Table with 3 columns: DATE, PAY REQUEST or INVOICE NUMBER, AMOUNT. Row 1: Date of Application 1/3/17, Application # 3, Payment Amount \$ 15,783.50

Section B: (check and initial only one of the following indicating if this is a Conditional or Unconditional Waiver, and unconditionally acknowledge previous payments)

THE UNDERSIGNED DOES HEREBY WAIVE AND RELEASE all bond claims, liens, or claims or right of lien, statutory or otherwise, against the property, project. Owners and any sureties, for labor, services, materials or equipment, as provided by the Undersigned, but only to the extent of payment received, as indicated above and as limited below:

CONDITIONAL RELEASE: THIS WAIVER AND RELEASE IS CONTINGENT UPON RECEIPT OF PAYMENT and final bank clearance of said remittance in the above amount. The remittance identified as payment and endorsed by the Undersigned marked "paid" or otherwise cancelled by the bank against which said remittance was drawn, shall constitute conclusive proof that said invoice or pay request was paid and that payment thereof was received by the Undersigned, and thereupon, this waiver and release shall become effective automatically without the requirement of any further act, acknowledgment or receipt on the part of the Undersigned.

OR

UNCONDITIONAL RELEASE: THE UNDERSIGNED ACKNOWLEDGES RECEIPT OF PAYMENT in the above amount for labor, services, materials or equipment as described herein, and does hereby grant this release unconditionally.

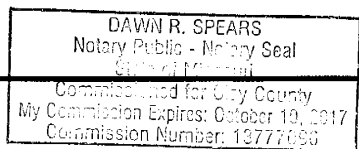
ADDITIONALLY, THE UNDERSIGNED ACKNOWLEDGES RECEIPT of the total amount of \$ 147,051.50 in previous payments and does hereby grant unconditional release of all above described claims for that amount.

THE PERSON SIGNING below does hereby certify that he or she is fully authorized and empowered to execute this instrument and to bind the Undersigned hereto, and does in fact so execute this instrument.

COMPANY NAME: McConnell & Associates
ADDRESS: 1225 Iron Street, North Kansas City, MO 64116

SIGNED: [Signature]
TITLE: Project Manager

State of: MO
County of: Clay
Subscribed and sworn to before me this 3 day of Jan, 2017
NOTARY PUBLIC: [Signature]
SIGNED: [Signature]
My Commission Expires:



Division of Environment
Bureau of Water - Public Water Supply Section
Curtis State Office Building
1000 SW Jackson - Suite 420
Topeka, KS 66612



Phone: 785-296-5514
Fax: 785-296-5509
www.kdheks.gov

Susan Mosier, MD, Secretary

Department of Health & Environment

Sam Brownback, Governor

Water System name: OSAWATOMIE, CITY OF

Survey Name: TFM Survey

Survey Description: Tri-Annual Water System Assessment.

Survey Status: Completed

Survey Instructions: Complete the Survey and when you feel confident with your answers submit it to KDHE using the website or by mailing your completed Survey.

Technical

Sources

1.- What is your system's raw water source and/or who do you purchase water from (check and fill in all that apply)?

- Surface Ground Purchased Don't Know

Lake Name(s):

Number of Wells Used:

From:

Stream Name(s):

Marais Des Cygnes River

2.- Does your system have an emergency or supplemental water supply?

- Yes No Don't Know

Back-up Wells

Connection to another PWS

Name of PWS

Back-up Surface Source

Name

Other

Specify

3.- If water is purchased from or treated by another system, is there a drought or other "cut-off" clause limiting the amount of water in your system's purchase contract?

- Yes No Don't Know No purchased water

4.- If water is not purchased, does your water system have sufficient water rights issued from the Kansas Department of Agriculture, Division of Water Resources?

- Yes No Don't Know No water rights, purchase water only

5.- How many times during the year 2014, did your system impose water use restrictions? Were restrictions mandatory or voluntary, and were they drought related?

- No Restrictions Imposed Once Twice Three or more times
- | | | |
|---|---|---|
| <input type="checkbox"/> Mandatory, Drought Related | <input type="checkbox"/> Mandatory, Drought Related | <input type="checkbox"/> Mandatory, Drought Related |
| <input type="checkbox"/> Mandatory, Not Drought Related | <input type="checkbox"/> Mandatory, Not Drought Related | <input type="checkbox"/> Mandatory, Not Drought Related |
| <input type="checkbox"/> Voluntary, Drought Related | <input type="checkbox"/> Voluntary, Drought Related | <input type="checkbox"/> Voluntary, Drought Related |
| <input type="checkbox"/> Voluntary, Not Drought Related | <input type="checkbox"/> Voluntary, Not Drought Related | <input type="checkbox"/> Voluntary, Not Drought Related |

Don't Know

6.- If restrictions were imposed during 2014, what was the total time duration?

- No Restrictions Imposed Less than one month One to three months Three to six months Six or more months

7.- How many times during the year 2015, did your system impose water use restrictions? Were restrictions mandatory or voluntary, and were they drought related?

- No Restrictions Imposed Once Twice Three or more times
- | | | |
|---|---|---|
| <input type="checkbox"/> Mandatory, Drought Related | <input type="checkbox"/> Mandatory, Drought Related | <input type="checkbox"/> Mandatory, Drought Related |
| <input type="checkbox"/> Mandatory, Not Drought Related | <input type="checkbox"/> Mandatory, Not Drought Related | <input type="checkbox"/> Mandatory, Not Drought Related |
| <input type="checkbox"/> Voluntary, Drought Related | <input type="checkbox"/> Voluntary, Drought Related | <input type="checkbox"/> Voluntary, Drought Related |
| <input type="checkbox"/> Voluntary, Not Drought Related | <input type="checkbox"/> Voluntary, Not Drought Related | <input type="checkbox"/> Voluntary, Not Drought Related |

Don't Know

8.- If restrictions were imposed during 2015, what was the total time duration?

- No Restrictions Imposed Less than one month One to three months Three to six months Six or more months

9.- How many times during the year 2016, did your system impose water use restrictions? Were restrictions mandatory or voluntary, and were they drought related?

- No Restrictions Imposed Once Twice Three or more times
- | | | |
|--|---|---|
| <input type="checkbox"/> Mandatory, Drought Related | <input type="checkbox"/> Mandatory, Drought Related | <input type="checkbox"/> Mandatory, Drought Related |
| <input type="checkbox"/> Mandatory, Not Drought Related | <input type="checkbox"/> Mandatory, Not Drought Related | <input type="checkbox"/> Mandatory, Not Drought Related |
| <input type="checkbox"/> Voluntary, Drought Related | <input type="checkbox"/> Voluntary, Drought Related | <input type="checkbox"/> Voluntary, Drought Related |
| <input checked="" type="checkbox"/> Voluntary, Not Drought Related | <input type="checkbox"/> Voluntary, Not Drought Related | <input type="checkbox"/> Voluntary, Not Drought Related |

Don't Know

10.- If restrictions were imposed during 2016, what was the total time duration?

- No Restrictions Imposed Less than one month One to three months Three to six months Six or more months

Yes No Don't Know

List the violations:

2950 2456

25.- Did your system have any monitoring, reporting, or other violations in 2016?

Yes No Don't Know

List the violations:

7500

26.- What is your system's daily average water production expressed as a percentage of peak production capacity?

Less than 50% 50% - 75% Greater than 75% Purchase Treated Water Don't Know

Distribution

27.- Does your system's operation pressure for any customer service connection fall below 20 psi?

Yes No Don't Know

28.- Does your system have at least 24 hours of finished water supply storage at average daily use?

Yes No Don't Know

29.- Have your system's water storage facilities been inspected during the past 24 months?

Yes No Don't Know PWS does not have storage

30.- What is your system's unaccounted for water loss as a percentage of total production or purchase?

Less than 15% Between 15% and 29% More than 29% Don't Know

31.- Does your system have an active cross-connection control program?

Yes No Don't Know

32.- Does your system have accurate maps of your distribution system?

Yes No Don't Know

33.- Does your system's distribution system overlap or intertwine with another public water supply distribution system with which it is not interconnected?

Yes No Don't Know

Managerial

34.- What is your system's governance structure?

Elected board/council Appointed Sole ownership Other Don't Know

Describe:

35.- Does your system utilize any industry related service organizations, if yes check all that apply?

Yes No Don't Know

League of Kansas Municipalities

Kansas Municipal Utilities

Kansas Rural Water Association

Kansas Section - AWWA

Midwest Assistance Program

Wichita State Environmental Finance Center

36.- Do your system's operators have appropriate levels of certification according to the Kansas Department of Health and Environment classifications?

Yes No Don't Know

Provide Name of Operator-In-Responsible Charge:

Stewart Kasper

37.- If your system does not have a certified operator, has an operator-in-training (OIT) been issued by KDHE?

Yes No Don't Know Not Applicable, operators have appropriate levels of certification

Name of OIT:

38.- Does your system have a back-up operator with the appropriate level of certification?

Yes No Don't Know

Back-up Operator Name:

Bruce Hurt

- 39.- Does your system have written personnel policies and job descriptions signed by the employees?
 Yes No Don't Know No Employees, Contract Labor No Employees, Volunteer Labor
- 40.- Does your system provide benefits to employees (retirement, insurance, etc.)?
 Yes No Don't Know No Employees, Contract Labor No Employees, Volunteer Labor
- 41.- Does your system have and enforce formal policies for: payments/collections, main extensions/connections, etc.?
 Yes No Don't Know Don't Have Formal Policies
- 42.- Does the governing body review a monthly summary of revenues and expenses of the utility system?
 Yes No Don't Know
- 43.- Does your system have a formal plan for operations and maintenance (line flushing, pumps, meters, storage tanks, etc.)?
 Yes No Don't Know
- 44.- Does your system have an emergency water supply plan approved by the Kansas Department of Health and Environment?
 Yes No Don't Know
- 45.- Have you reviewed and updated your emergency water supply plan within the past 12 months?
 Yes No Don't Know Don't Have A Plan
- 46.- Does your emergency water supply plan coordinate with your county emergency plan?
 Yes No Don't Know Don't Have Approved Plan
- 47.- Does your system have a Water Conservation Plan approved by the Kansas Department of Agriculture, Division of Water Resources or the Kansas Water Office?
 Yes No Don't Know
- 48.- Has your system been cited for any deficiencies on the most recent sanitary survey, which have not been corrected?
 Yes No Don't Know
- 49.- Does your system have a public information program?
 Yes No Don't Know
- 50.- Does your system have a computerized record-keeping system?
 Yes No Don't Know
- 51.- Does the governing body approve expenses prior to payment being issued?
 Yes No Large purchases only Don't Know
- Approval by governing body greater than what dollar amount?
- 52.- Are at least two signatures required to purchase goods and services over \$100?
 Yes No Don't Know

Financial

- 53.- Does your water system income exceed operating expenses (including debt services)?
 Yes No Don't Know
- 54.- Does your system fund a depreciation/capital improvement account?
 Yes No Don't Know
- 55.- Does your system have a capital budget or capital improvement plan that projects future capital needs for at least five years?
 Yes No Don't Know
- 56.- Does your system have financial reserves for emergencies?
 Yes No Don't Know
- 57.- Does your water utility support other enterprise funds or the general fund (cities)?
 Yes No Don't Know Not Applicable (RWD)
- 58.- Does your system require revenues from other enterprise funds or the general fund for normal operations?
 Yes No Don't Know
- 59.- Does your system develop and follow an annual budget that is approved by the governing body?
 Yes No Don't Know
- 60.- Does your system have an audited financial statement prepared by a certified public accountant?
 Yes No Don't Know
- 61.- Has the auditor submitted a copy of their most recent peer review?
 Yes No Don't Know
- 62.- Are your audited financial statements prepared according to generally accepted accounting principals (GAAP)?
 Yes No Don't Know GAAP requirement waived by KS Dept. of Administration
- 63.- Have your system's water rates been reviewed within the last three years?
 Yes No Don't Know
- 64.- Does your system's current rate structure produce income to cover current expenses, replacement costs, reserves, and/or contractual obligations?

Yes No Don't Know

All Expenses Covered

Some Expenses Covered (check all that apply)

- Current Expenses
- Replacement Costs
- Reserves
- Contractual Obligations

65.- Answer the following questions about your retail residential water rates; first select the rate type your system uses. After selecting rate type, enter monthly minimum fee and quantity information. Select gallons or cubic feet and click the green button labeled with your rate type and enter your rate data in the boxes. Do not use \$ or commas.

Flat Rate (Not Metered) Uniform Block Rate (Cost per unit does not change)

What is the monthly flat fee?

Minimum Monthly Fee

10.50

Quantity of Water Included with Monthly Minimum Fee

1500

Gallons
 Cubic Feet

Increasing Block Rate (cost per unit increases with higher volume use)

Minimum Monthly Fee

Quantity of Water Included with Monthly Minimum Fee

Gallons
 Cubic Feet

Decreasing Block Rate (cost per unit decreases with higher volume use)

Minimum Monthly Fee

Quantity of Water Included with Monthly Minimum Fee

Gallons
 Cubic Feet

Seasonal Rate (tiered rate structure based on average winter consumption)

Minimum Monthly Fee

Quantity of Water Included with Monthly Minimum Fee

Gallons
 Cubic Feet

Wholesale Water Provider Only, No Retail Residential Sales

Do Not Charge for Residential Water Use

- State or Federal Facility
- Mobile Home Park
- School
- Other

Specify:

Low Value	High Value	Rate
1501	100000	7.00

66.- Do you sell wholesale water to other public water supply systems?

Yes Do not sell wholesale water

Monthly Minimum Fee

26.10

Charge per 1,000 gallons In Addition To Monthly Minimum

3.10

67.- Do you operate a waste water system?

Yes - please provide monthly residential charge information

Don't operate a waste water system

Do Not Charge for Waste Water Treatment

Monthly Minimum Charge

28.25

Total Residential Charge for 5,000 gallons

14.5

State or Federal Facility

Mobile Home Park

School

Other

Specify:

68.- Please provide the number of service connections for each category.

Residential

Commercial

Industrial

Wholesale

2016

1503

2016

111

2016

2

2016

3

Stock Water/Pasture

Power Production

2016

2016

69.- Did your system's governing body review this survey before submission to the Kansas Department of Health and Environment?

Yes

No

Don't Know

Planning

70.- Is your system considering an additional or different water supply source (raw or treated)?

Yes, considering the following sources:

No, not considering another source

Sources Considered:

Marais Des Cygnes Public Utility Authority

71.- If your system is considering additional sources, within what time frame do you anticipate activation?

Not considering another source at this time

Five years or less

Six to ten years

Eleven to twenty years

Don't Know

CITY OF OSAWATOMIE



PROCLAMATION

ISSUED BY THE MAYOR AND CITY COUNCIL

WHEREAS, on March 22, 1972, President Richard Nixon signed into law a measure that amended the Older Americans Act of 1965 and established a national nutrition program for seniors 60 years and older, and

WHEREAS, Meals on Wheels America established the National March for Meals Campaign in March 2002 to recognize the historic month, the importance of Older Americans Act Nutrition Programs – both congregate and home-delivered – and raise awareness about the escalating problem of senior hunger in America, and

WHEREAS, the 2017 observance of the March for Meals campaign provides an opportunity to support Meal on Wheels programs that deliver vital and critical services by donating, volunteering and raising awareness about senior hunger and isolation, and

WHEREAS, Older Americans Act Nutrition Programs – both congregate and home – delivered – in Kansas have served our communities admirably for more than 40 years, and

WHEREAS, volunteer drivers for Meals on Wheels programs in Kansas are the backbone of the program and they not only deliver nutritious meals to homebound seniors and individuals with disabilities, but also caring concern and attention to their welfare, and

WHEREAS, Meals on Wheels programs in Kansas provide nutritious meals to seniors throughout the State and help them maintain their health and independence and avoid unnecessary hospitalizations and/or premature institutionalization, and

WHEREAS, Meals on Wheels programs in Kansas provide a powerful socialization opportunity for millions of seniors to help combat loneliness and isolation, and

WHEREAS, Meals on Wheels programs in Kansas deserve recognition for the contributions they have made and will continue to make to local communities, our State and our Nation, and

NOW, THEREFORE, I, L. Mark Govea, Mayor of the City of Osawatomie, do hereby proclaim

March 2017

Meals on Wheels Month



in the City of Osawatomie, and I urge all citizens to take time this month to honor our Meals on Wheels programs, the seniors they serve and the volunteers who care for them. Our recognition of, and involvement in, the national 2017 March for Meals campaign can enrich our entire community and help combat senior hunger and isolation in America.

Proclaimed this 9th day of March, 2017.

L. Mark Govea, Mayor
City of Osawatomie

CITY OF OSAWATOMIE



STAFF AGENDA MEMORANDUM

DATE OF MEETING: March 9, 2015

AGENDA ITEM: **Deed Property to Tri-Ko**

PRESENTER: Don Cawby, City Manager

ISSUE SUMMARY: On February 9, you deeded a piece of vacant property to Tri-Ko to be sued for their expansion. As part of this deal, we asked that they provide to us approval of a deed of dedication for their property on the south side of Industrial Drive, so that the right of way can be correctly established. We have not established and provided a deed of dedication for this purpose, which also includes the City deeding its portion of the affected properties on the south half of Industrial Drive as well.

COUNCIL ACTION NEEDED: Consider the deed of dedication to provide the City's property to be deeded for the south half of Industrial Drive.

STAFF RECOMMENDATION TO COUNCIL: Approve the Deed of Dedication as presented.

DEED OF DEDICATION

THIS DEED is made and entered into this _____ day of _____ 20__, by and between, _____, owner of real property located in the City of Osawatomie, Kansas, hereinafter referred to as "Grantor" (whether one or more) and the City of Osawatomie, Miami County, Kansas, hereinafter referred to as "Grantee".

Grantor, in consideration of One Dollar (\$1.00) and other good and valuable consideration paid by Grantee, the receipt and sufficiency of which is hereby acknowledged, by these presents does GRANT, BARGAIN, SELL and CONVEY unto Grantee all Grantor's rights, title and interest in and to the following described real estate, to wit:

See Exhibit "A" attached hereto and incorporated herein by reference.

TO HAVE AND TO HOLD the same forever, together with all rights and appurtenances thereto. It is understood and agreed that Grantee shall use said real estate in the construction, improvement, reconstruction and maintenance of a public right-of-way or other public purposes.

Grantor promises that at the delivery of this deed lawfully seized of the interest hereby conveyed, that the same is free and clear of and from all and every lien and encumbrance whatsoever, subject only to easements, covenants and restrictions now of record, and that Grantor will forever warrant and defend the same unto Grantee against any lawful claim. Grantor hereby waives and releases Grantee from any and all claims for damages or compensation arising from the use of the real estate conveyed by this deed for the purposes herein described. Grantor hereby agrees that Grantor shall pay any special assessments or installments thereof, matured or unmatured, on the real estate hereby conveyed, and that Grantee shall not be liable in any way for the payment thereof. Grantor further agrees that the proper governing authority may release the real estate hereby conveyed from any special assessment and spread and attach such special assessment to the remainder of the property adjacent to the real estate hereby conveyed and which is owned by Grantor.

IN WITNESS WHEREOF, Grantor has signed this deed the day and year first above written.

Signature: _____
Name Typed:

Signature: _____
Name Typed:

STATE OF _____)
) SS:
COUNTY OF _____)

On this ____ day of _____, 20____, before me, a Notary Public in and for said County and State, appeared _____, personally known to be the same person(s) named in and who executed the foregoing instrument and acknowledged that they executed the same as their voluntary act and deed.

IN WITNESS WHEREOF, I have hereunto subscribed my hand and affixed my official seal the day and year last above written.

Notary Public

My appointment expires: _____

ACCEPTED THIS ___ DAY OF _____, 20____.

MAYOR, L Mark Govea

PLANNING COMMISSION CHAIRMAN, Tom Burgin

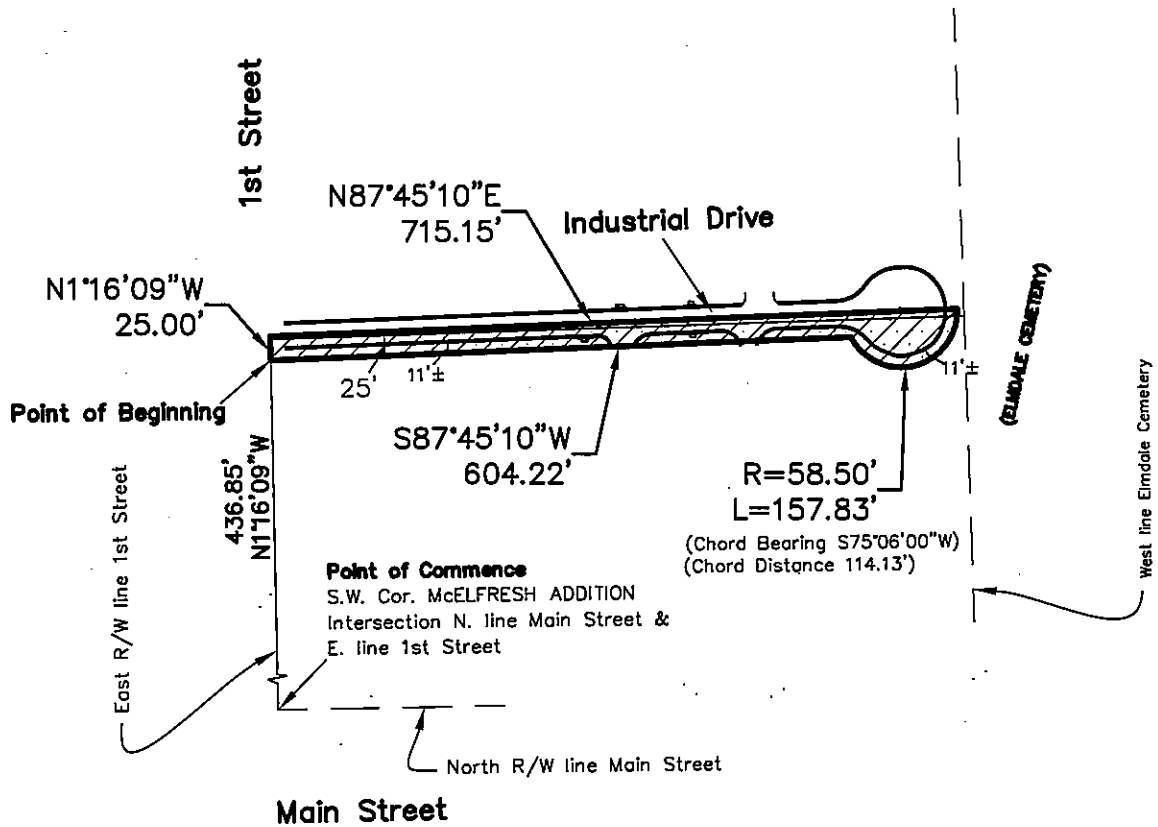
CITY CLERK, Tammy Seamands

EXHIBIT "A"

Legal

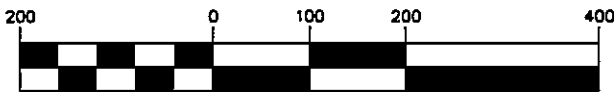
All that part of the Northeast Quarter of Section 11, Township 18 South, Range 22 East, Miami County, Kansas, Described as follows: Commencing at the intersection of the North right-of-way line of Main Street and the East right-of-way line 1st Street, said point being the Southwest corner of McElfresh Addition a subdivision in the City of Osawatomie, Miami County, Kansas; thence North 1 degree 16'09" West, along the East line of said 1st Street formerly Bridge Street, a distance of 436.85 feet, to the Point of Beginning; thence North 1 degree 16'09" West, along the East right-of-way line of said 1st Street, a distance of 25.00 feet, to a point on the centerline of Industrial Drive; thence North 87 degrees 45'10" East, along said centerline, a distance of 715.15 feet; thence Southwesterly along a curve to the right with a radius of 58.50 feet, an arc distance of 157.83 feet (chord bearing South 75 degrees 06'00" West, chord distance 114.13 feet); thence South 87 degrees 45'10" West, a distance of 604.22 feet, to the Point of Beginning, containing 0.47 Acres more or less.

EXHIBIT



SCALE 1"=200'

GRAPHIC SCALE



(IN FEET)

1 inch = 200 ft.

Note:

NO TITLE INFORMATION PROVIDED
 NO EASEMENTS SHOWN IF ANY

CIVIL ENGINEERS
LAND SURVEYORS - LAND PLANNERS

122 N. WATER STREET 14 W. PEORIA
 OLATHE, KANSAS 66061 PAOLA, KANSAS 66071
 PHONE: (913) 764-1076 PHONE: (913) 557-1076
 FAX: (913) 764-8635 FAX: (913) 557-6904

PREPARED FOR CITY OF OSAWATOMIE
 PREPARED FEBRUARY 15th, 2017

C/33030-tricoroadesmt



CITY OF OSAWATOMIE



STAFF AGENDA MEMORANDUM

DATE OF MEETING: March 9, 2017

AGENDA ITEM: **Appointment of KMEA Directors - Position #2 and Alternate**

PRESENTER: Don Cawby, City Manager

ISSUE SUMMARY: According to section 5.1 and 5.7 article V of KMEA's Bylaws (see attached), each KMEA member city is required to have two Directors and one Alternate on its Board of Director. Each Director should be appointed by the City Council and will serve for a two year term. Currently we need to reappoint the Director #1 position.

Currently the appointments are as follows:

<u>Position</u>	<u>Appointee</u>	<u>Term Expires</u>
Director # 1:	Don Cawby	4/30/2017
Director #2:	Stewart Kasper	4/30/2018
Alternate:	Mark Govea	4/30/2018

KMEA asks that Directors be able to attend KMEA's Board of Directors Meetings in the month of May and November.

COUNCIL ACTION NEEDED: Discuss and make appointments for the Director #1 position.

STAFF RECOMMENDATION TO COUNCIL: Staff recommends that the Director #1 position be filled by the City Manager. At this time, the City Manager is the most involved senior staff member in electric purchasing decisions. Until such time that duty is assumed by the Director of Public Works & Utilities, it makes sense for this Director position to remain as the City Manager.

BYLAWS
OF
KANSAS MUNICIPAL ENERGY AGENCY

ARTICLE I

**AGENCY NAME, PRINCIPAL PLACE OF BUSINESS
AND TERM OF EXISTENCE**

Section 1.1. Agency Name. The official name of the agency shall be "Kansas Municipal Energy Agency."

Section 1.2. Definitions. As used in these Bylaws, the following definitions shall be applicable:

"**Act**" shall mean K.S.A. 12-885 to 12-8,111, inclusive, as amended.

"**Agency**" shall mean the Kansas Municipal Energy Agency.

"**Agreement**" shall mean the Second Amended and Restated Agreement Creating A Municipal Energy Agency dated May 17, 2000, and amendments thereto.

"**Board of Directors**" or "**Board**" shall mean the board of directors of the Agency authorized in accordance with *Article VII* of the Agreement.

"**Bylaws**" shall mean these bylaws duly adopted by the Board of Directors pursuant to *Section 7.4* of the Agreement and the provisions hereof, as amended from time to time.

"**Cities**" or "**City**" shall mean a city organized and existing under the laws of Kansas and authorized by such laws to engage in the local distribution and sale of electrical energy; provided that when a municipal electric generating system in any City is owned or operated by a board of public utilities, the board of public utilities shall act for and on behalf of such City; or city shall have the meaning as defined in the Act.

"**Director**" shall mean the representative to the Board of Directors selected by each Member in accordance with *Article V* of these Bylaws.

"**General Manager**" shall mean the general manager of the Agency authorized pursuant to *Article VI* hereof.

"**Members**" shall mean those Cities set forth in *Exhibit A* to the Agreement as may be modified by members who withdraw or Cities who are added in accordance with *Article VII* thereof.

ARTICLE II

SEAL

Section 2.1. Inscription of Seal. The seal of the Agency shall be circular in form and around the outside shall be the words, "Kansas Municipal Energy Agency", and in the center shall be the words "Agency Seal." An impression of the Agency seal shall be impressed on this page in the space provided below. The seal shall be applied to official documents of the Agency by the Agency's Secretary-Treasurer, or authorized assistant, as evidence of their due execution and attestation.

(AGENCY SEAL)

ARTICLE III

REGISTERED OFFICE AND RESIDENT AGENT

Section 3.1. Registered Office. The Agency shall maintain a registered office in the State which shall meet the requirements of the Act or other applicable laws of the State. The Registered Office of the Agency shall be the principal office of the Agency or such other location as is designated by the Board of Directors. The Agency will provide notice of any change in location of the Registered Office to the Office of the Secretary of State of the State of Kansas and the Kansas Corporation Commission in accordance with the Act.

Section 3.2. Resident Agent. The Agency shall have and continuously maintain in the State a resident agent upon whom service of process may be had as required under the Act and any other applicable provisions or laws of the State. The Board shall have the authority to appoint or change, from time to time, such resident agent. The resident agent of the Agency shall be the General Manager or such other person appointed by the Board of Directors. The Agency will provide notice of any change of the Registered Agent to the Office of the Secretary of State of the State of Kansas and the Kansas Corporation Commission in accordance with the Act.

ARTICLE IV

CORPORATE POWERS

Section 4.1. Except as may be specifically reserved to the Members in the Agreement or under the Act, all corporate powers of the Agency shall be vested in the Board of Directors.

ARTICLE V

BOARD OF DIRECTORS

Section 5.1. Selection of Directors. The property and business of the Agency shall be managed by the Board of Directors of the Agency. The Board of Directors shall consist of two (2) Directors for each Member, provided that there shall be not less than seven (7) Directors. The Directors shall be selected by the governing bodies of the Members. In the event that the number of Members is less than seven (7), each Member shall be represented by the number of Directors which would constitute a Board of Directors of not less than seven (7) Members, provided that each Member shall select the same number of Directors. Each Member must designate the two (2) Directors as "Director-1" and "Director-2".

The term of each Director shall be for a period of two (2) years except that the initial term of a number equal to one half of the Directors, comprised of those individuals designated as Director-2, shall be selected to a term of one (1) year. Any Director selected by a Member may be removed at any time by the Member selecting the Director. Each Director so selected shall reside within the territory served by the electric utility of the selecting Member and meet all other requirements of the Act and the Agreement. Any such selection (other than a replacement selection) shall occur prior to the annual meeting of the Agency. Written evidence of selection shall be forwarded by the City Clerk or other authorized official of the Member to the Agency in writing prior to the annual meeting. Each Director shall continue in office until a successor is selected in accordance with this *Article V*.

Section 5.2. Voting Powers. Each Member shall be entitled to one Director vote on the Board of Directors which shall be equal to the vote of every other Member. Such vote shall be cast on behalf of the Member by Director-1 of such Member, if present; if such Director-1 is not present then by Director-2. Other than actions required in *Article XII* hereof, all actions of the Board of Directors shall be made upon affirmative vote of a majority of the Directors entitled to vote and voting on such action.

Section 5.3. Compensation. Except as may be specifically authorized by the Board of Directors, no Director shall receive payment from the Agency for any time spent in attending meetings of the Board of Directors or otherwise conducting business of the Agency. To the extent that funds are available, the Board of Directors, the Executive Committee, or the General Manager may authorize payment of expenses for travel in connection with the business of the Agency for other than meetings of the Board of Directors pursuant to the Act.

Section 5.4. Vacancies. In the event of a vacancy on the Board of Directors the appropriate Member shall select an individual to fill such vacancy for the remainder of the term in accordance with the same procedure as is set forth for the selection of the initial Director. Written evidence of selection shall be provided to the Agency before voting privileges will take effect.

Section 5.5. Removal or Resignation. A Director may be removed only by the governing body of the Member selecting such Director. Any Director may resign by providing notice to the governing body of the Member the Director represents. The governing body shall certify to the Agency such removal or resignation of a Director.

Section 5.6. Successor Director. Upon removal or resignation of a Director, a successor Director will be selected by the governing body in the same manner as the original Director was selected, and the successor Director will be certified by the governing body to the Agency in the same manner as the original Director was certified. The successor Director shall serve for the remainder of the unexpired term of the original Director, subject to the rights of the governing body and such successor Director under *Section 5.5* of these Bylaws.

Section 5.7. Alternates. Each Member shall designate an Alternate or Alternates for the Director in the same manner as the Directors are designated. In the event any Director is unable to attend a meeting, any duly appointed Alternate may substitute at the meeting of the Board of Directors for such Director. The Member shall provide the Agency with written notification of the selection of such Alternate or Alternates. In the event neither Director designated by the Member is present, the Alternate may vote on behalf of such Member unless the governing body of the Member has specifically prohibited the Alternate from voting on the Member's behalf. If more than one Alternate is designated by the Member, the governing body shall specify in its designation the order in which the Alternates shall have voting rights on behalf of the Member.

ARTICLE VI

GENERAL MANAGER

Section 6.1. The Board of Directors shall select and appoint a General Manager for the Agency, who shall have charge of the business of the Agency under the general control, supervision and direction of the Board of Directors. No person shall concurrently be a Director and General Manager. Subject to the supervision of the Board of Directors and the Executive Committee, the General Manager shall: (a) employ, supervise, and dismiss all agents and employees of the Agency and fix their compensation; (b) conduct the day-to day business affairs of the Agency, including without limitation, entering into agreements relating to or implementing programs or special projects which have been approved by the Board of Directors or the Executive Committee; (c) maintain records and accounts in such a manner that the true and correct condition of the business may be ascertained therefrom at anytime; (d) furnish the Board of Directors a current statement of the business and affairs of the Agency at each scheduled meeting of the Board of Directors and at the end of each fiscal year and at such other times as the Board of Directors may direct; (e) carefully preserve and turn over to any successor all books, records, documents, and

correspondence pertaining to the business of the Agency which may come into the General Manager's possession; and (f) perform such other duties as may be prescribed by the Board of Directors or the Executive Committee.

The General Manager shall give the Board of Directors a good and sufficient surety company bond or the Board shall obtain an insurance policy in a sum to be set and approved by the Board of Directors or Executive Committee conditioned upon the satisfactory performance of the General Manager's duties. The Board of Directors may also require that any other employees hired by the General Manager or the Board of Directors be bonded or insured in such amount as the Board of Directors shall determine. The costs of any such bonds or insurance shall be paid out of the funds of the Agency.

ARTICLE VII

MEETINGS OF BOARD OF DIRECTORS

Section 7.1. Place of Meeting. The place of meetings of the Board of Directors shall be determined by the President or the Board of Directors from time to time.

Section 7.2. Annual Meetings. The Board of Directors shall have an annual meeting each year at a time and place to be specified by the Board of Directors or specified by the President if the Board of Directors fails to so specify prior to November of the year in which the meeting is to be held. In the event a quorum of the Board of Directors is not available at such time and place, the annual meeting of the Board of Directors may be adjourned by the President or other appropriate officer to another time and place without the necessity of a quorum concurring such adjournment.

Section 7.3. Regular Meetings. Regular meetings of the Board of Directors shall be scheduled as determined by the President or the Board of Directors.

Section 7.4. Special Meetings. Special meetings of the Board of Directors may be called in writing by the President or a majority of the Directors to the Board of Directors entitled to vote.

Section 7.5. Notice of Special Meetings. The President or the majority of the Directors entitled to vote calling a special meeting shall cause written notice of such meeting to be delivered to each and every Director not less than seven (7) days prior to the date of such special meeting, which notice shall specify the time and place of such special meeting and the purpose and proposed action, in general terms, to be considered at such special meeting. For purposes of this **Section 7.5**, such notice shall be considered as delivered upon (a) deposit of such notice in the United States mail, properly addressed, postage prepaid, or (b) communication via fax, with electronic or telephonic confirmation of receipt, or (c) communication via e-mail or other computer-generated communications device, with appropriate confirmation of receipt via computer or telephone or other method of communication.

Section 7.6. Waiver and Consent. Any or all Directors may in writing waive notice of any meeting of the Board of Directors and consent to the conducting of business at any such meeting without notice or specification of the purpose of such meeting.

Section 7.7. Business at Regular Meetings and at a Special or Adjourned Meeting. Any business of the Agency may be conducted at a regular meeting of the Board of Directors. All business to be conducted at a special or adjourned meeting of the Board of Directors shall be specified in the notice of special meeting or motion to adjourn and no action shall be taken at such special or adjourned meeting unless so specified or unless waivers are obtained in accordance with *Section 7.6* of these Bylaws.

Section 7.8. Agenda. Whenever feasible to do so, proposed agendas for meetings of the Board of Directors shall be prepared at the direction of the President, and shall be available to the public upon request, and shall be distributed to each Director and Alternate and any other official of each Member so designated to receive such agenda by the governing body of the Member, along with notices of meetings.

Section 7.9. Order of Business. The order of business at all meetings of the Board of Directors shall be as determined by the President or the Board of Directors.

Section 7.10. Quorum. A quorum of the Board of Directors for the purpose of conducting its business shall be the Directors (or Alternates) entitled to vote representing a majority of the Members; but less than a quorum may adjourn a meeting.

Section 7.11. Conduct of Meetings. All meetings, whether regular, special or adjourned, including those held pursuant to waiver and consent, may be conducted via (a) conference telephone, (b) video conferencing or (c) other similar communications device deemed acceptable by unanimous consent of all persons attending such meeting. Persons attending such meetings via telephone, video or other similar communications device shall be counted as attending such meetings for purposes of quorums and may participate and vote at such meetings as if personally present.

ARTICLE VIII

EXECUTIVE COMMITTEE

Section 8.1. Executive Committee. In the event the Board of Directors consists of more than nine (9) Directors, there shall be established a committee of the Board of Directors which shall be known as the Executive Committee.

Section 8.2. Election and Qualifications. The Executive Committee shall consist of nine (9) members, which shall include the officers of the Board of Directors (President, Vice-President and Secretary-Treasurer) and six (6) at-large members, which shall be Directors. In the event the Secretary-Treasurer is not a Director, there shall be seven (7) at-large members, which shall be Directors.

Section 8.3. Terms. The terms of the officers shall be co-terminus with their positions as officers of the Board of Directors; provided that in the event the Secretary-Treasurer is not a Director, the one (1) at-large member elected in place of the Secretary-Treasurer shall serve a term of one (1) year. The term of six (6) at-large members shall be for two (2) years; provided that the initial term of three of the at-large members shall be for a period of one (1) year. The at-large members shall be elected at the annual meeting of the Board of Directors. Commencing with the election of members to the Executive Committee in May 2005, no Director shall serve on the Executive Committee as an officer or an at-large member more than eight (8) consecutive years.

Section 8.4. Resignation, Removal and Replacement. In the event that a vacancy occurs on the Executive Committee by reason of death, incapacity, resignation, removal or replacement of the member as a Director, (a) if an officer, the succeeding officer on the Board of Directors shall replace such officer on the Executive Committee or (b) if an at-large member, the President shall appoint a replacement at-large member for the balance of the member's term, with the approval of a majority of the members of the Executive Committee.

Section 8.5. Replacement of Secretary-Treasurer. In the event the Secretary-Treasurer who is elected to replace a Secretary-Treasurer is not a Director, the President shall appoint, with the approval of a majority of the members of the Executive Committee, an at-large member to serve on the Executive Committee.

Section 8.6. Powers and Duties. The Executive Committee shall act in the place of the Board of Directors on a day-to-day basis and shall exercise those powers and have the authority to carry on the business of the Board of Directors and the Agency unless specifically restricted by the Act, the Agreement, these Bylaws or action of the Board of Directors. Specifically, the Executive Committee shall have the following powers and duties:

(a) To conduct, manage, and control the affairs and business of the Agency and to make the rules and regulations as the Executive Committee deems necessary and which are not inconsistent with any adopted Board policy, the Bylaws or the Agreement.

(b) To approve a preliminary annual budget for submission to the Board of Directors for adoption. The Executive Committee shall have the responsibility to oversee the administration of the adopted budget and shall have authority to make changes and amend the budget as circumstances require.

(c) Except as provided in *Section 8.7*, to approve contracts, agreements, and leases required to be negotiated and executed to assure the continued general administration of the Agency.

(d) To approve Agency policies regarding: (1) financial planning; (2) personnel management, employee benefits, compensation, and classification plans; (3) deferred compensation,

qualified money purchase and/or retirement plans; (4) policy manuals and similar materials; and (5) all other things not hereinafter expressly prohibited to carry on the business of the Agency in connection with and through the General Manager of the Agency.

Section 8.7. Executive Committee Prohibitions. The Executive Committee is specifically prohibited from and shall **not** have the power to: (1) adopt the annual budget; (2) approve contracts or agreements of the Agency that provide for the development of projects or facilities requiring the issuance of Agency bond anticipation notes or Agency revenue bonds, or (3) approve interest rates and official financing documents of any financings.

Section 8.8. Resolution Not to Affect Powers of Board of Directors. The powers, authority, and responsibility hereby delegated by the Board of Directors to the Executive Committee is not intended to diminish, and shall not be construed as diminishing, the powers of the Board of Directors to act on any and all matters so delegated to the Executive Committee.

ARTICLE IX

OFFICERS

Section 9.1. Election and Qualifications. All officers of the Agency shall be elected from among the Directors by the Board of Directors at the annual meeting of the Board of Directors by majority vote of the Directors entitled to vote; provided, however, the Secretary-Treasurer does not have to be a Director. Such officers shall also be considered as such officers of the Board of Directors.

Section 9.2. Terms and Compensation. The term of all officers of the Agency shall be for one (1) year. Commencing with the election of officers in May 2005, no officer shall serve more than eight (8) consecutive terms as an officer of the Agency. The officers shall receive no compensation from the Agency for their services except as authorized by specific vote of a majority of the Directors entitled to vote without the participation of the officer involved.

Section 9.3. Resignation and Removal. All officers of the Agency may resign as officers or may be removed without cause by majority vote of the Directors entitled to vote.

Section 9.4. Succession of Officers. In the event that the position of President is vacant, the Vice-President shall succeed to the position of President. In the event that the positions of President and Vice-President are both vacant, the Secretary-Treasurer, if a Director, shall succeed to the position of President. In the event the positions of President, Vice-President and Secretary-Treasurer are vacant or the Secretary-Treasurer is not a Director, the remaining members of the Executive Committee shall elect a President from among their membership. In the event that there is a vacancy in the position of Vice-President and/or Secretary-Treasurer such positions shall be filled by election of the remaining members of the Executive Committee.

Section 9.5. President. The powers and duties of the President shall be:

- (1) To preside at all meetings of the Board of Directors, the Executive Committee and all meetings of the Members.
- (2) To call meetings of the Members and all meetings of the Board of Directors and Executive Committee, to be held at such times and places as provided by these Bylaws.
- (3) To affix the signature of the agency to all deeds, conveyances, mortgages, leases, obligations, bonds, certificates and other papers and instruments in writing that may require the same; and to supervise and control, subject to the direction of the Board of Directors, all officers, agents and employees of the agency.
- (4) To serve as Chairman of the Executive Committee of the Board of Directors, if any.
- (5) To establish such committees as deemed necessary by the President, with the advice of the Executive Committee, and to appoint persons to serve on such committees. Prior to the annual election of officers and at-large members to the Executive Committee, the President shall establish a nominating committee with representation, if feasible, from each service territory in which Members are located. The Nominating Committee shall consider the following factors in nominating candidates to serve as officers and at-large members on the Executive Committee: (i) representation from each service territory in which Members are located is desirable; (ii) representation from each project of the Agency is desirable; and (iii) fair and equal representation from all sizes of communities (based on number of meters) is desirable.

Section 9.6. Vice President. In the case of the absence, disability, or death of the President, the Vice-President shall take his or her place and perform his or her duties. The Vice-President of the Agency shall have such other powers and perform such other duties as may be granted or prescribed by the Board of Directors.

Section 9.7. Secretary-Treasurer. The powers and duties of the Secretary-Treasurer shall be:

- (1) To keep full and complete records of the proceedings of the Board of Directors, the Executive Committee and of the meetings of the Members.
- (2) To keep the seal of the Agency and to affix the same to all instruments which may so require.
- (3) To make service and publication of all notices that may be necessary or proper, and without command or direction from the Board of Directors. In

case of absence, inability, refusal or neglect of the Secretary-Treasurer to make service or publication of any notice, then such notice may be served or published by the President or Vice-President, or by any person thereunto authorized by either of them, by the Board of Directors, the Executive Committee or by a majority of the Members.

- (4) Receive all monies belonging to or paid to the Agency and give receipts therefor.
- (5) Deposit such monies, as he or she shall be directed by the Board of Directors or the Executive Committee, with one (1) or more financial institutions qualified to receive municipal deposits as provided by law to be designated by the Board of Directors or the Executive Committee.
- (6) Shall supervise and control the maintenance of full and complete records of the funds received and the disbursements thereof.
- (7) To cause all official reports of the Agency to be filed with the proper officials.
- (8) Render to the Members and the Board of Directors, the Executive Committee, at any meeting thereof, or from time to time whenever the Board of Directors, the Executive Committee, or the President may require, an account of all the financial transactions and the financial condition of the Agency.
- (9) Exhibit or cause to be exhibited the books of the Agency to the Board of Directors, the Executive Committee or to any committee appointed by the Board of Directors, the Executive Committee or to any Director on application during business hours, or to any other person entitled to inspect such books pursuant to pertinent provisions of the law.
- (10) Generally to do and perform all such duties as pertain to this office and as may be required by the Board of Directors or the Executive Committee.
- (11) All disbursements made by the Secretary-Treasurer shall be subject to control of the Executive Committee or Board of Directors.
- (12) All duties assigned to the Secretary-Treasurer may, with the consent of the Executive Committee, be delegated to the General Manager or other employees or agents of the Agency.

Section 9.8. Surety Bond or Insurance. The President and Secretary-Treasurer shall give the Board of Directors a good and sufficient surety company bond or the Board shall obtain an insurance policy in a sum to be set and approved by the Board of Directors or Executive Committee conditioned upon the satisfactory performance of the President and Secretary-Treasurer's duties. The Board of Directors may also require that any other officers be bonded or insured in such

amount as the Board of Directors shall determine. The costs of any such bonds or insurance shall be paid out of the funds of the Agency.

ARTICLE X

MEETINGS OF MEMBERS

Section 10.1. Place of Meetings. The place of meetings of Members of the agency shall be as determined by the President or the Board of Directors.

Section 10.2. Meetings. The President or the Directors entitled to vote from a majority of the Members may call meetings of the Members for the purpose of discussing business of the Agency.

Section 10.3. Notice of Meetings. The President or Directors calling any meeting of the Members shall cause written notice of such meeting to be delivered to each and every Member not less than seven (7) days prior to the date of such meeting, which notice shall specify the time and place of such meeting and the purpose and proposed action, in general terms, to be considered at such meeting. For purposes of this **Section 10.3**, such notice shall be considered as delivered upon (a) deposit of such notice in the United States mail, properly addressed, postage prepaid, or (b) communication via fax, with electronic or telephonic confirmation of receipt, or (c) communication via e-mail or other computer-generated communications device, with appropriate confirmation of receipt via computer or telephone or other method of communication.

Section 10.4. Order of Business and Powers of Member. The order of business at any meeting of the Members shall be as determined by the President or by a majority of the Members. All annual and special meetings of the Members shall be for the purpose of discussion and advice only and Members, apart from the Board of Directors, shall not have the power to take any action affecting the business of the Agency except dissolution of the Agency in accordance with **Article XIV** of these Bylaws, further except amendment of the Agreement pursuant to the Act, and further except any other powers given exclusively to the Members by the Agreement or by the Act.

Section 10.5. Adjournments. Meetings of the Members may be adjourned from time to time.

Section 10.6. Conduct of Meetings. All meetings, whether regular, special or adjourned, including those held pursuant to waiver and consent, may be conducted via (a) conference telephone, (b) video conferencing or (c) other similar communications device deemed acceptable by unanimous consent of all persons attending such meeting. Persons attending such meetings via telephone, video or other similar communications device shall be counted as attending such meetings for purposes of quorums and may participate and vote at such meetings as if personally present.

ARTICLE XI

FINANCIAL MATTERS

Section 11.1. Budget Preparation and Approval. The President or General Manager shall provide a proposed annual budget for the Agency for the succeeding calendar year. If an Executive Committee exists, the Executive Committee shall review and approve the proposed annual budget prior to submission to the Board of Directors. The budget in final form shall be approved by the Board of Directors. Such budget shall include a proposed method of funding the budget; and if such budget provides for assessments against Members, it shall provide for the apportionment of assessments in specific amounts to be assessed against each Member.

Section 11.2. Assessments Against Members; Annual Dues. Proposed assessments to fund the Budget shall be submitted to Members prior to June 1 of the year preceeding the year that the assessment are payable. The Agency shall send statements for dues to each Member on or before March 31 of each year, and such dues shall be paid by the Member within the time period set forth in such statement.

Section 11.3. Refusal to Pay Assessment or Dues. If a Member refuses to pay the assessment as set out in *Section 11.2* of these Bylaws, such Member shall not be entitled to the benefit of any work, action or study of the Agency funded by such assessment against Members unless and until the Member which has not participated in the assessment and the cost of such work, action or study shall pay the amount of such assessment to the Agency for reimbursement to other Members on a proportionate basis as determined by the Board of Directors; and, in addition, any Director representing such Member shall be designated as inactive, shall not be entitled to serve as an officer of the Agency, shall not be entitled to vote, and shall not be counted in determining a quorum under these Bylaws. If a Member refuses to pay the annual dues as set out in *Section 11.2* of these Bylaws, such Member shall not be entitled to any benefits of a Member of the Agency and the Director representing such Member shall be designated as inactive, shall not be entitled to serve as an officer of the Agency, shall not be entitled to vote, and shall not be counted in determining a quorum under these Bylaws unless and until the Member pays the amount of such dues to the Agency.

Section 11.4. Power Purchase Contracts. Any power purchase contract or similar agreement between the Agency and the Members or other persons shall be an asset of the Agency and cannot be amended, canceled or otherwise altered except to the extent as such amendments, cancellations or alterations may be specifically allowed by the terms of the documents authorizing or securing the bonds or other indebtedness of the Agency. Other contracts secured to obtain financing shall be subject to the terms of the documents authorizing or securing the bonds or other indebtedness of the Agency.

Section 11.5. Transfer, Liens or Sale of Assets. Unless specifically prohibited in the documents authorizing or otherwise securing any bonds or other indebtedness, the Agency may transfer, encumber, or sell any of the assets of the Agency with a 2/3 affirmative vote of the Directors entitled to vote; provided, however, the General Manager may approve the transfer or sale of Agency assets having a value of \$1,000 or less; provided, further, that such approval by the

General Manager in any one calendar year shall not exceed the sale or transfer of Agency assets having a value greater than \$5,000.

ARTICLE XII

AMENDMENTS

Section 12.1. These Bylaws may be amended, modified, supplemented or repealed by an affirmative vote of two-thirds (2/3rds) of the Members which shall be evidenced by the vote of its Director entitled to vote.

ARTICLE XIII

INDEMNIFICATION

Section 13.1. Persons. The Agency may indemnify every person, his or her heirs, executors and administrators, against any and all judgments, fines, amounts paid in settlement and reasonable expenses, including attorneys' fees, incurred by him or her in connection with any claim, action, suit or proceedings (whether actual or threatened, brought by or in the right of the Agency or otherwise, civil, criminal, administrative or investigative, including appeals), to which he or she may be or is made a party by reason of his being or having been a Director, employee, agent or officer of the Agency, and shall do so to the extent required by the Kansas Tort Claims Act, K.S.A. 75-6101, *et seq.*, as amended.

Section 13.2. Unlawful Conduct. There shall be no indemnification (i) as to amounts paid in settlement or other disposition of any threatened or pending action by or in the right of the Agency, or (ii) as to matters in respect of which it shall be determined by judgment or otherwise that such Director, employee, agent or officer was not acting in good faith in the performance of his or her duties to the Agency and, in the case of any criminal action or proceeding, where he or she had reasonable cause to believe that his or her conduct was unlawful.

Section 13.3. Good Faith. Any such person shall be entitled to indemnification as a right (i) if he or she has been wholly successful, on the merits or otherwise, with respect to any claim, action, suit or proceeding or (ii) except as hereinabove provided, in respect of matters as to which a court or independent legal counsel, approved by the Agency, shall have determined that he or she acted in good faith for a purpose which he or she reasonably believed to be within the scope of employment in the best interests of the Agency; and in addition, in the case of any criminal action or proceeding, that he or she had reasonable cause to believe that his or her conduct was lawful. Such court or independent counsel shall have the power to determine that such Director, officer, employee or agent is entitled to indemnification as to some matters even though he or she is not so entitled as to others. The termination of any claim, action, suit or proceeding by judgment, settlement, conviction or upon a plea of *nolo contendere*, or its equivalent, shall not in itself create a presumption that any such Director, employee, agent or officer did not act in good faith for a purpose which he or she reasonably believed to be in the best interests of the Agency and, in the

case of any criminal action or proceeding, that he or she did not have cause to believe that his or her conduct was lawful.

Section 13.4. Amounts. Amounts paid in indemnification shall include, but shall not be limited to, counsel and other fees and disbursements and judgments, fines or penalties against, and amounts paid in settlement by, such Director, officer, employee or agent. The Agency may advance expenses undertaken to repay or to reimburse such expenses if it should be ultimately determined that he or she is not entitled to indemnification under this *Article XIII*.

Section 13.5. Time. The provisions of this *Article XIII* shall be applicable to claims, actions, suits or proceedings made or commenced after the adoption hereof, whether arising from acts or omissions to act occurring before or after the adoption hereof. The rights of indemnification provided in this *Article XIII* shall be exclusive of any rights to which any such Director, officer, agent or employee may otherwise be entitled by contract or as a matter of law.

ARTICLE XIV

TERMINATION AND DISSOLUTION

Section 14.1. Method of Termination and Dissolution. The Agency may be terminated and dissolved as provided in the Agreement. The Agency may not be dissolved at any time when any bonds or other indebtedness of the Agency remain outstanding unless cash provision has been made for the payment of such indebtedness, as provided in *Article IX* of the Agreement.

Section 14.2. Payment of Costs of Dissolution. Upon dissolution of the Agency, all costs and expenses of dissolution shall be paid first from assets of the Agency and then, if necessary, from assessment made to the Members.

ARTICLE XV

WRITTEN BALLOT VOTING

Section 15.1. Written Ballot. In order to further the business and projects of the Agency, the President may determine from time to time, a need exists for written ballot voting to conduct any specified business of the Agency. If so determined, the Secretary-Treasurer or General Manager shall forward such written ballot to the appropriate party. The written ballot shall contain the specified matter or question to be determined, and shall be sent via (a) deposit of such notice in the United States mail, properly addressed, postage prepaid, or (b) communication via fax, with electronic or telephonic confirmation of receipt, or (c) communication via e-mail or other computer-generated communications device, with appropriate confirmation of receipt via computer or telephone or other method of communication. The written ballots cast shall be returned in the manner set forth in the voting instructions that accompany the ballot.

Section 15.2. Passage. All matters considered by a written ballot vote shall be determined by a majority of those ballots that are received by the Agency prior to the time specified for the tabulation of the vote; provided, however, that the number of written ballots received by the Agency must equal at least a quorum of the Directors as defined in Section 7.10 of these Bylaws.

Section 15.3. Objections to Written Ballot. If a majority of those forwarded written ballots, prior to the time for receipt of completed written ballots, file a written objection to using the written ballot, such matter shall be considered instead at a regular or special meeting.

ARTICLE XVI

MISCELLANEOUS PROVISIONS

Section 16.1. Instruments in Writing. All contracts of the Agency shall be in writing, and must be approved as set forth in these Bylaws.

Section 16.2. Annual Report. The Board of Directors of the Agency shall cause an annual report to be prepared and made available in sufficient quantities for circulation among the Members, including the governing bodies thereof and interested citizens.

Section 16.3. Fiscal Year. The fiscal year of the Agency shall be the calendar year from January 1 to December 31.

CERTIFICATE OF SECRETARY-TREASURER

The above and foregoing is a true and correct copy of the Bylaws of the Kansas Municipal Energy Agency dated as of and adopted by its Board of Directors on November 2, 2005.


Secretary-Treasurer

Osawatomie Police Department
Monthly Report

Feb-17

26	Warrant Arrests
31	Other Arrest and /or Charges filed
145	Traffic Stops
75	Suspicious Activ., Inv. Persons, Ped Checks, Prowlers
8	Traffic Accidents
42	Assist EMS
22	Fights , Disturbance, Assaults, Domestic, Harras, Violation of Protection Orders
0	Sex crimes
19	Damage to Prop., Thefts, Burglarys,
2	Drug Cases
36	Animal calls
4	Child in Need of Care, Runaways, Missing Children
13	Vehicle Lock outs
43	Escorts, Civil Stand-bys, 911 Misdiags, Motor Assist, X-Patrol, Alarm Calls, Welfare Checks
53	Citizen Inquires
80	Calls for service otherwise not classified
70	Assist Out Side Agency, Loud Music, , Traffic Haz, Driving Complaints, Drug Testing Finger Printing, Open Doors, Follow-ups, Found Property, Warrant Attempts, etc..
638	Calls handled by Officers
*917	Totals occurrences for the month
55	Traffic Citations
10	Other Citations
65	Total Citations

* Total occurrences for the month include calls for service and dispatch activity, such as the issuance of burn permits, accepting fine payments, logging vehicle fuel, county fire calls, and other public assistance.

CITY OF OSAWATOMIE



STAFF AGENDA MEMORANDUM

DATE OF MEETING: March 9, 2017

AGENDA ITEM: **Grocery Store Status and Strategies**

PRESENTER: Don Cawby, City Manager

ISSUE SUMMARY: With the surprise closure of Ron's Country Market on February 23, the last two weeks have included a lot of time and research into short and long term solutions. This memo will layout and update of what we believe is the current status of the former store and then lay out a list of strategies and options available for bringing a vibrant grocery store back to Osawatomie.

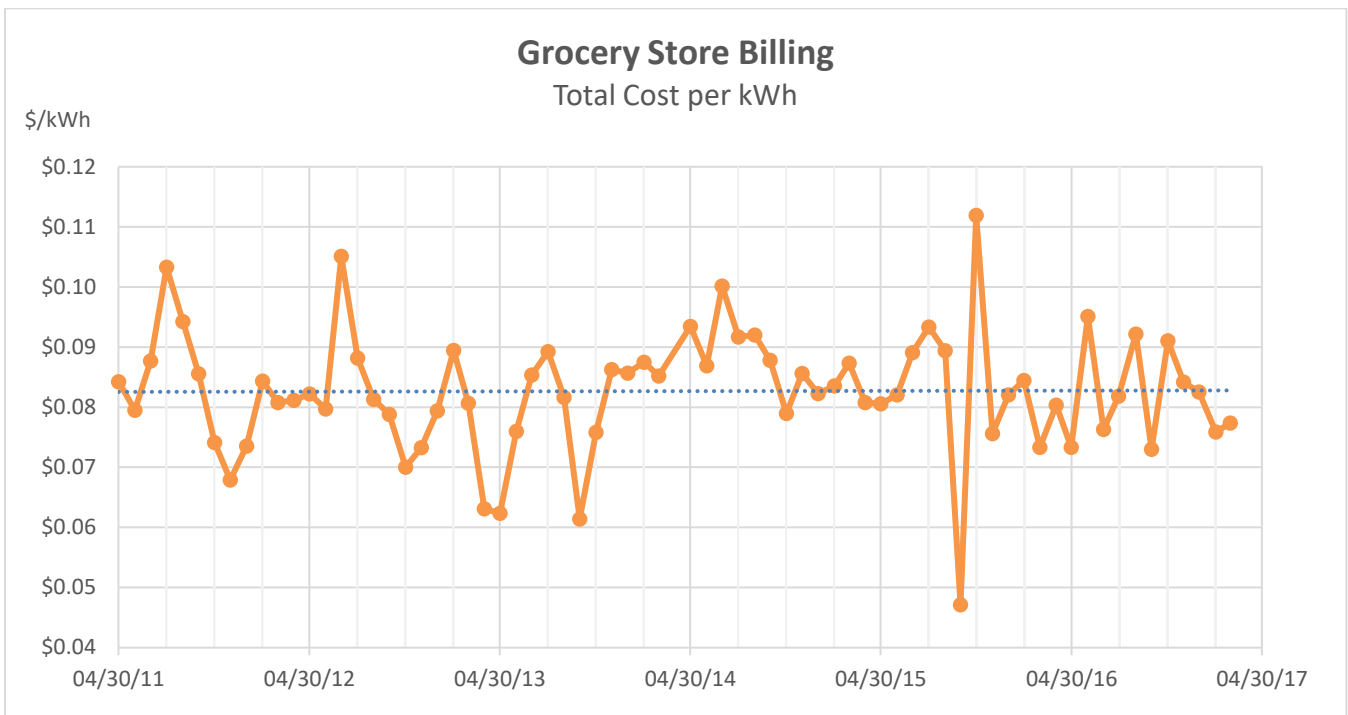
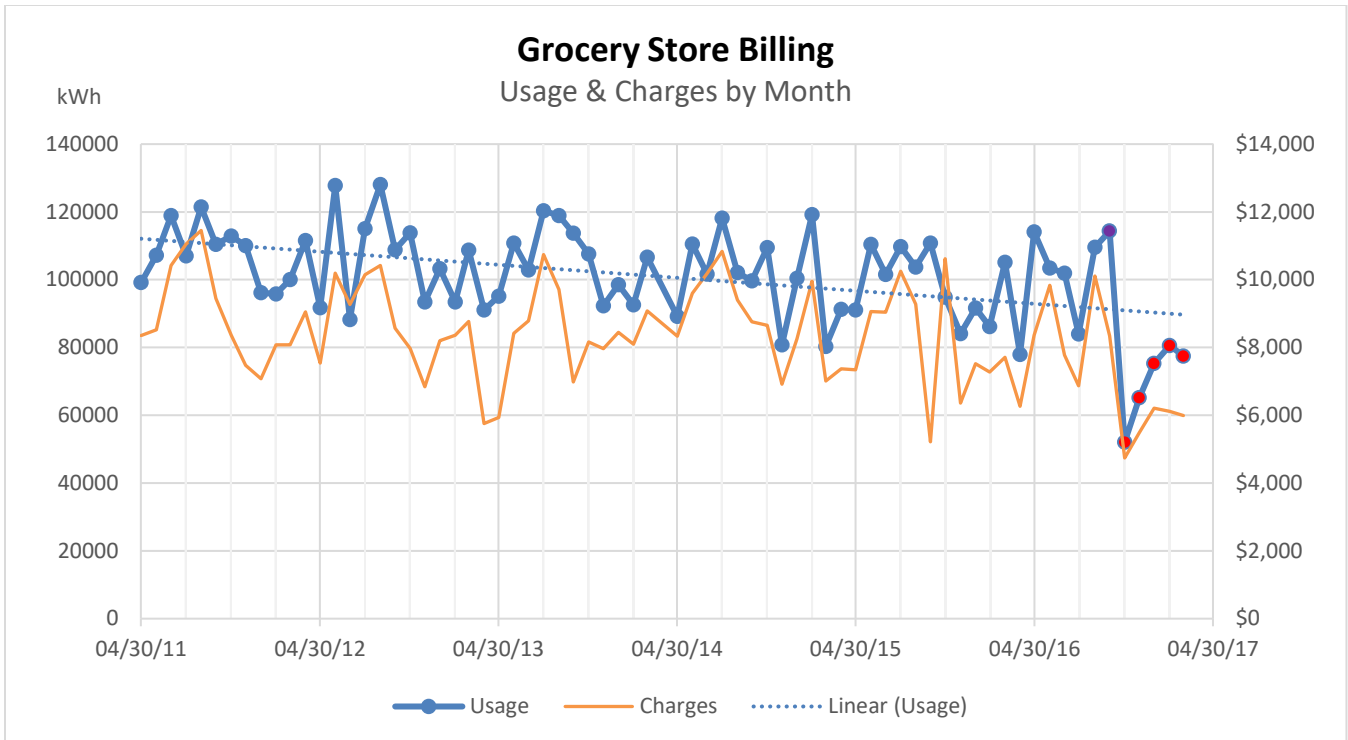
Status

Even though the closure is close to two weeks ago, we really don't have a lot of information on what to do next. What we do know:

- Moon's Hometown Market (owner of the store) has purchased the remaining inventory from the AWG warehouse and is conducting a closeout sale. This is likely to happen for a few weeks.
- The creditor for the coolers and equipment are conducting an appraisal of the equipment and also planning to leave the equipment in the store as long as Moon's allows it.
- The City has moved the utility costs back over to Moon's as of the 26th and Ron's final bill was covered by the deposit.
- We know there may be another creditor involved with the store improvements, but at this time we are unsure of that amount and status.
- We expect to see a formal bankruptcy action.

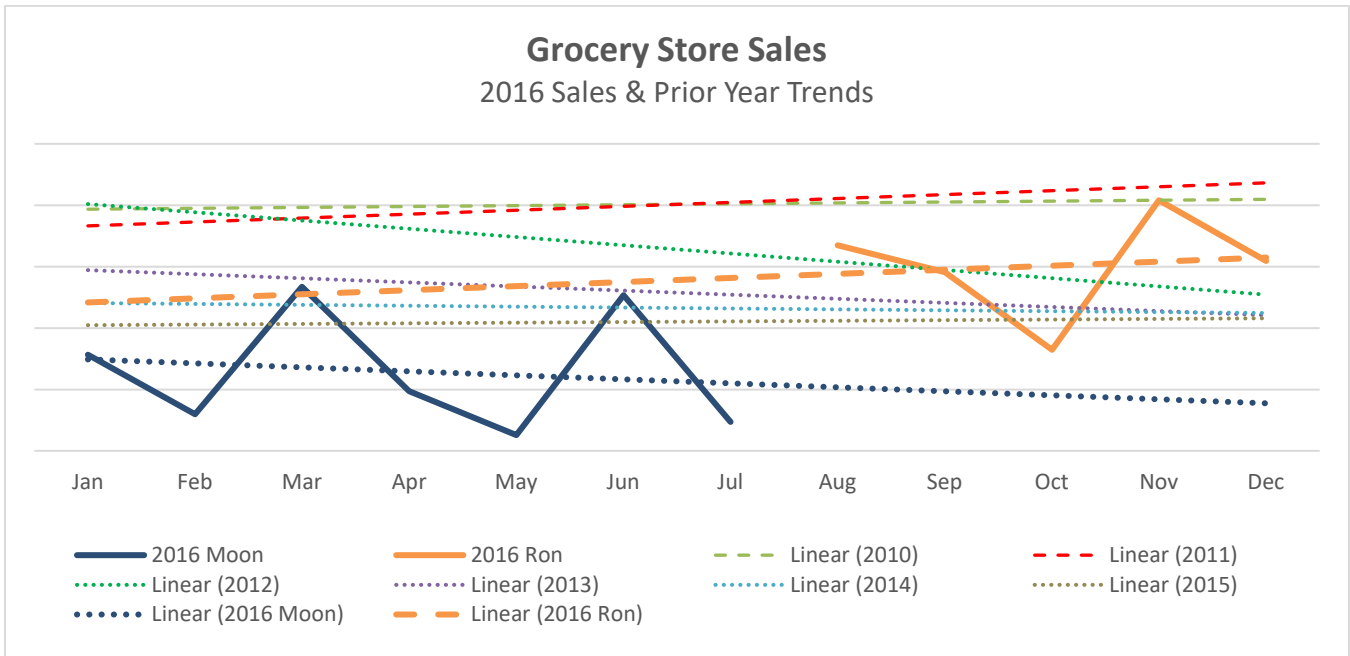
As demonstrated on the following charts, an analysis of the numbers shows a couple of positive trends as far as the changes that Ron Kleier made to the store.

Electric Usage. First, electric usage costs dropped dramatically after the purchase of the new coolers and cabinets. Electric usage appears to have dropped about 20% since the installation of the coolers. At an average cost per kWh of 10 cents, that amounts to a savings of around \$2,000 per month. That savings will rise when higher energy prices return.



Sales. Second, without divulging specific amounts, a review of taxable sales from the store from August through December showed around an 11% increase in taxable sales over the previous year’s totals. Those same amounts were 9% over the three-year average. Also, those sales weren’t just a result of the “new” factor, as taxable sales from November through January were actually 14% higher (compared to

9% for the whole six months). We believe those numbers will help to show that not only was the new store able to pick up sales, but it was also continuing to grow as habits changed and familiarity grew.



Evaluation of Options

There are several different options available for a community having a grocery store. Attached to this memo are some brochures provided by Kansas State which outline a description and case study for each type. Those options are:

- Sole Proprietorship
- Not for Profit
- Cooperative
- Public-Private Partnership
- Community Owned

Of course, there are varying degrees of each one of these models and some tend to bleed over into the other models depending on those changes. However, outside of recruiting a major chain store to the community (which is very unlikely), these are the models that exist and the boundaries in which we can work to find a role for the City and community to play in attracting a grocery store operation.

Corporate/Aldi’s Store. While Facebook has been abuzz about getting an Aldi’s in Osawatomie, or some discount operation like it, I don’t believe that will happen, or would have ever happened. Here are some facts that should help with addressing this issue:

- Aldi’s typically seeks a population base around 30,000 and we don’t meet their income criteria.

- They closed a store in Ottawa that was below their population threshold.
- A typical discount grocery retailer (Aldi's, Save-A-Lot, etc) would have to build a new store, because Moon's building is too large and the shelving would all have to be replaced.
- As a community we have done a good job of telling Aldi's through Facebook how many people in our community people already drive 25 miles to shop there, what is their incentive to come here?
- There are many other "low hanging fruit" locations for a corporate store to locate, other than in a bedroom community of 4,300.

Obstacles. After reviewing the several articles (a couple which are attached) and evaluating our history and current status, I have developed a list of the following obstacles I believe we have to overcome in order to have a successful store in Osawatometie. This is obviously not an exhaustive list, but I think it encapsulates the major areas of concern.

1. Regional Competition/Community Support
2. Non-local Employment/Habits
3. Equipment Owned Separately from Store
4. Size of Building/Overhead for Sales Area
5. Population Growth

Possible City Actions/Incentives

1. **City purchase and hold equipment (with assistance of Bank) for new owner. Partial forgivable loan for 5 years.**

Pros: Reduces overhead for new operator to get in store. Keeps efficiency savings. Equipment in place could be bought from creditor much less than bringing in used equipment and installing. Building is ready to operate.

Cons: Risk to public & bank. Creates a complex 4-way partnership. City and Bank would have to negotiate a rental agreement with owner to make sure all parties are not excessively profiting from arrangement.

Ballpark Estimate: \$250,000; \$100,000 reimbursement.

2. **Assist in downsizing of store – rent/sell space for secondary business.**

Pros: Reduce grocery store overhead and rent for new operator. Helps owner make the building viable. Creates additional draw to location.

Cons: May reduce appeal to operator. How to finance and justify modifications in building not owned by City? What business would occupy? If partial or full payback required, owner has

limited incentive to do it. Modifications would likely create costs for equipment relocation. Parking concerns with additional business.

Ballpark Estimate: \$300,000; \$0 reimbursement.

3. City purchase Old Dollar General Store to provide forgivable loan.

Pros: Would meet basic market needs, but current size is limiting. Reuse of vacant building in City. Lease/purchase option to finance. Provide option for ownership, coop or city-owned.

Cons: Parking - additional land required from railroad for delivery and parking. May be too small. May require external cooler/freezer. May reduce appeal to operators. Condition of building unknown. Still have large vacant building with limited uses.

Ballpark Estimate: \$600,000; \$200,000 reimbursement.

4. City Owned New Store

Pros: New store could be extremely efficient and would be right-sized. City may have financing options for new building. Grants or tax credits might be available. Store could be in more attractive location. New store attractive to operators. Provide option for ownership, coop or city-owned. City could control rent costs and provide deferred payments or partial forgiveness.

Cons: City would need the Building Commission model because of need to debt finance. Store and new equipment would be very expensive. Debt funding source likely only (sales or property tax). Land hard to acquire, limited locations and sellers. City would have to be landlord unless sold. Perception that City is responsible for building condition and operator.

Ballpark Estimate: \$2,000,000; \$1,500,000 reimbursement.

Recommended Strategy

1. Find a New Owner for Existing Store.

I believe the first, and most prudent path for the city to take is to assist in the recruitment and placement of a new owner/operator in Osawatomie. Here is my case for this approach.

- **Sales Goals Are Achievable.** In the short time Ron's had the store, it demonstrated that increased sales can occur in Osawatomie. Based on discussion with Mike Moon, the threshold that I believe the store only needs add about \$5,000 per week more to regain a steady footing. I believe that we were headed in that direction. In real terms, that number is equal to 1/3 of the city's households spending \$10 more per week in the store than they have previously. That change is very achievable through education and promotion.

- **Overhead Costs Will Be Less.** The store has already demonstrated it has a \$2,000 per month savings in energy efficiency. Also, if the equipment can be maintained, the costs to acquire the equipment in the building and pay off outstanding debt will be much less than it was for Ron's. Whatever his financing costs were, these items could easily be reduced by 50% or more, even without City incentives.
- **Opportunity.** The grocery community is somewhat stunned by what happened in Osawatomie two weeks ago. I believe we have an opportunity, through a good strategy and a united message to bring a grocer here that might not have otherwise been interested, because of the unique circumstances. I wouldn't call it the sympathy card, but we definitely have a card to play in the grocery world about the circumstances of the store's demise.
- **Partnerships.** City staff has already met with Mike Moon and First Option Bank to talk about options for moving forward in attracting a new owner. We all agree that the key to reselling the current building to a new owner is to find a way to keep the equipment in the building. We also believe the store as it sits now is attractive to a new owner. The equipment owner has also expressed the same opinion and seems willing to work with us, likely buying us several months in which to try to find a store operator.
- **Most Cost Effective Option.** Based on the estimates above, the amount of money the City might have to pay in incentives would be much less by recruiting a new owner/operator.

2. Look at Possibilities for Public-Private Partnerships.

While we are working hard on the first strategy, I would like to work behind the scenes to develop a contingency plan, with some scenarios where the City might be able to assist in owning a store or property necessary for a viable grocery store. While I can readily admit that I have no real desire to implement any contingency plan, I think we need to identify the best of the undesirable options and be ready to move in the fall with a plan, should we fail at attracting a new owner.

COUNCIL ACTION NEEDED: Consider, provide feedback and discuss strategies.

STAFF RECOMMENDATION TO COUNCIL: None.

SOLE PROPRIETORSHIP

Defining Characteristics

There are several defining characteristics of this form of rural grocery operation. First, it is the most common form of rural grocery store operation. Second, this form of grocery operation can act as a lifeline for the local economy. When communities forecast the following year's budgetary needs, they use sales tax revenue estimates from local businesses. If actual revenue doesn't meet the estimate, the city can go over budget causing financial issues. Local businesses that maintain positive growth can therefore help meet the community's financial needs. Finally, the employment provided by local businesses creates a positive domino effect in the community. Local jobs keep residents' dollars in-town as they go out to eat for lunch and get fuel from the gas station. The dollars generated are then invested back into the community.

Challenges

1 **Accruing capital.**
The owner usually provides the initial funding. Also, sole proprietorships do not issue stocks or other money-generating investments.

2 **Taxes.**
The owner must pay self-employment taxes. Other taxes may not be deductible such as health insurance premiums for employees.

3 **Unlimited liability.**
The owner is held directly responsible for any losses, debts, or violations coming from the store. The owner can be sued for any unlawful acts committed by employees as well.

4 **Lack of continuity.**
If the owner becomes deceased or incapacitated, the business stops. In the case of death, the business is liquidated as a part of the owner's personal estate and distributed to beneficiaries resulting in heavy tax burdens.

Benefits

1 **Ease of formation.**
This form of business is easiest to form and some states allow sole proprietorships to be formed without the double taxation standards applicable to corporations.

2 **Decision-making.**
The owner has control over all business decisions and the owner may fully transfer the sole proprietorship at their discretion.

3 **Tax benefits.**
The individual and business tax report can be combined saving additional costs on accounting and tax filing. The business is also taxed at the personal income tax rate as opposed to corporate tax rate.

4 **Employment.**
As an employer, the owner can take advantage of additional tax breaks.

REFERENCES

- 1) Clarke, P. (2014, May 15). Advantages and disadvantages of sole proprietorships. Retrieved from <http://www.legalmatch.com/law-library/article/advantages-and-disadvantages-of-sole-proprietorships.html>
- 2) Herrold, B. (2015, July 2). Family-owned grocery store helps small town prosper. Missouri Farmer Today. Retrieved from http://www.missourifarmertoday.com/news/family-owned-grocery-store-helps-small-town-prosper/article_c4194d82-1f47-11e5-ade7-5f1a9e2bcdfa.html
- 3) Missouri Business Development Program. (2011). Chilhowee Grocery - Chilhowee. Retrieved from <http://missouribusiness.net/2011/05/chilhowee-grocery-chilhowee/>
- 4) Morell, K. (2010). 8 ways small businesses help communities. Open Forum. Retrieved from <https://www.americanexpress.com/us/small-business/openforum/articles/8-ways-small-businesses-help-communities-1/>

Case Study: Chilhowee, MO

Chilhowee is rural town in west central Missouri with little more than 300 residents. In February 2010, the Chilhowee community was about to lose their local grocery store, a large For Sale sign posted in its window. The next nearest grocery store was more than 15 miles away in Holden. Chilhowee residents talked about the impact the local grocery store had in the community at town meetings, how it provided jobs and acted as a community gathering place. The Kerksieck family knew that if they didn't buy the store, it would be auctioned off and the community would lose a vital cog.

The key to keeping the local grocery store in Chilhowee was developing key partnerships:

**SOLE
PROPRIETORSHIP:
KEY PARTNERSHIPS**

1 Local Business Owners

The Kerksiecks first spoke with the grocery store owners, Vernon and Joan Houts. The Houts directed the Kerksiecks to speak with the realtor, Darrell Anstine, but also agreed to provide some training and orientation for the soon-to-be storeowners. Though the Kerksiecks had spoken with two bankers previously, Anstine directed the Kerksiecks to speak with his father, Dwight Anstine.

2 F & C Bank

Dwight Anstine, a business loan officer at the Holden, Missouri F & C Bank branch, helped the Kersiecks with their loan request. Anstine handed the loan request to another loan officer at F & C, Jeff Florida, to complete the financing process. Anstine told the Kersiecks that they needed a better idea of what grocery store ownership involved and then directed the Kerksiecks to speak with Tracy Brantner.

3 Johnson County Economic Development Corp.

Tracy Brantner, executive director of the Johnson County Economic Development Corp., opened the Kerksiecks' eyes to the bigger picture of owning a rural retail business. Brantner directed the Kersiecks to yet another resource for small business owners, the Small Business & Technology Development Center at the University of Central Missouri in Warrensburg. Brantner would also be a key resource for working with federal officials to reduce the process time associated with the SNAP transaction application.



MFT photos by Benjamin Herrold
Chilhowee Grocery

Case Study: Chilhowee, MO

4

University of Central Missouri

Darrell Brammer and his business counseling team at the Small Business & Technology Development Center at the University of Central Missouri in Warrensburg added to the advice the Brantner gave. The business experts helped the Kerksiecks explore the financial factors. The Kerksiecks also received help developing a business plan, which was needed to apply for a loan. According to Brammer, "The Kerksiecks saw a need to help a community that would lose more of its vitality if the grocery store closed. They are supporting the community in many different ways."

The Result

After reviewing the Kerksiecks business plan, F & C Bank approved the SBA-guaranteed loan, which covered the largest portion of the purchase price. The Kerksiecks contributed their own capital for the remaining balance. In April 2010, the Kerksiecks became grocery store owners and part of a 60-year line of sole proprietors of Chilhowee Grocery.

The Kerksiecks recognized the important relationship between their store and the local community and are seeking to promote the store as the hub of their rural town. The Kerksiecks began offering hot food out of the store and locally grown produce and baked goods. With the space to grow, they hope to one day expand their services to include a cafe, and ice cream parlor, and a small movie theater.



MFT photos by Benjamin Herrold
The Kerksieck family.

ADDITIONAL SOLE PROPRIETORSHIPS

Hired Man's Grocery & Grill, Inc. in Conway Springs, Kansas
Jetmore Food Center in Jetmore, Kansas

NON-PROFIT MODEL

Defining Characteristics

There are several defining characteristics of this form of rural grocery operation. First, the non-profit grocery operation's purpose is to fulfill a charitable community food distribution mission. As such, all of the grocery store's operational assets are used to fulfill that mission and purpose. Second, the grocery store as a non-profit organization receives special considerations from state and federal government such as tax-exempt status. Third, this model allows people to join together and combine resources to achieve the common goal. The grocery store is also usually governed by a volunteer board of community representatives making this model highly collaborative.

Challenges

- 1** Establishing 501(c)(3) status. Non-profit organizations must go through the IRS application process to obtain tax exemption. Applicants must take into consideration a number of state compliance issues. The final submission can exceed 50 pages in length.
- 2** Balancing product mix and cost. When funds are limited, product assortment and/or quality can become an issue. In order to keep consumer costs low, grocers may have to make major adjustments.
- 3** Trial and error. It takes time to identify and fulfill consumer demand efficiently. A commitment to using data informs and streamlines the process.
- 4** Sustainability. Profit margins are very low in the supermarket industry and most chains' earnings are accumulated through volume. Overhead expenses may be difficult to manage without sufficient profits.

Benefits

- 1** Business structure for diversification. Non-profit entities address community concerns and have the opportunity to offer multiple, food-related services out of the grocery store operation.

Alternative means of supply. A lot of the food supply that is still good for consumption becomes waste. By sourcing food or goods nearing their "sell-by" dates from farmers, supermarkets, manufacturers, and food distributors, communities can take advantage of low costs.
- 2** Providing for low-income populations. By keeping supply costs low, grocers can pass these savings along to consumers.
- 3** Tax incentives. Donors can receive monetary tax breaks for their support of community-based organizations.

REFERENCES

- 1) Alcindor, Y. (2015, June 6). Non-profit grocery store opens in Boston. USA Today. Retrieved from <http://www.usatoday.com/story/news/nation/2015/06/06/nonprofit-grocery-store-opens-in-boston/28596963/>
- 2) Bouc, A. (n.d.). Rural grocery store funded by non-profit organization. Retrieved from <http://www.ruralgrocery.org/StoreFundedByNonProfitOrganization.html>
- 3) "Community development corporations". (n.d.). Retrieved from <http://www.referenceforbusiness.com/small/Bo-Co/Community-Development-Corporations.html>
- 4) Foundation Group. (n.d.). How to start a 501(c)(3) nonprofit. Retrieved from <https://www.501c3.org/how-to-start-a-501c3-nonprofit/>
- 5) Owens, C. (2014, October 13). Nation's first non-profit supermarket is picking up steam. Next City. Retrieved from <https://nextcity.org/daily/entry/nonprofit-supermarket-food-desert-chester-fare-and-square>

Case Study: Plains, KS

The Challenge

Plains, Kansas is a thriving community of 1492 located in southeast Kansas. Founded in 1885, Plains is a proud agricultural community. The "Widest Street in America", which can also be found here, directs traffic through the three-block downtown district. This small Kansas community was only missing one thing, a grocery store. In 2001, the grocery store closed leaving the community without access to a variety of nutritious and healthy food options. Community members were forced to drive 28 miles roundtrip to complete their grocery shopping, becoming a way of life for the community members of Plains.

The key to addressing the loss of the local grocery store in Plains was developing a strategic plan:

NON-PROFIT MODEL: Strategic Plan

1 Forming a Committee

In 2008, seven years after the closing of the local grocery store, the community decided they were ready for a change. A committee was formed to research a plethora of options to re-establish a local full-service grocery store. Countless hours were dedicated towards researching possible options to provide fresh and local access to a variety of food options. The committee created a goal to provide the best solution to meet the needs of the residents of the community and the surrounding area.

2 Conducting Research

First, the committee developed a community profile. This included an evaluation of the cultural, social, economic, nutrition, and age specific needs of the community. Second, the committee conducted a low-to-moderate-income survey. Third, the committee convened grocery suppliers, grocers, energy companies, economic development specialists, and other invested parties to conduct brainstorming sessions. Finally, the committee conducted a feasibility study and phone interviews as well as collaborated with Kansas State University's Rural Grocery Initiative.

3 Developing a Community Foundation

The research of the committee resulted in the development of a community foundation, the Community Enhancement Foundation of Plains. The Foundation would provide the leadership necessary to create and manage sustainable, interrelated food access and community programs that promote healthy and sustainable living for all ages.



Photo provided by Jeanne Roberts

"Widest Street in America"

Case Study: Plains, KS

4

Creating a Vision

The "Access to Food" project was created with the vision of developing a "Food and Nutrition Education Center". In addition to providing accessibility in order to meet the needs of the community, the store would create a market report to provide up-to-date project services, programs, and special events. A marketing campaign for the store would utilize print media, social media, and radio. Also, a web-site would be created to describe the services and programs of the store with an online ordering option. The store would strive to provide an educational environment along with partnering with the local food bank.

The Result

The committee was ready to move forward to create a modern food market that offers healthy food choices, nutrition education, food assistance and community programs. In January of 2012, the Community Enhancement Foundation of Plains became recognized by the IRS as a public charity with a non-profit 501(c)(3) status. In order to turn the Food and Nutrition Education Center into a reality, the committee needed to construct and furnish a building to house various projects. It was established that the Food and Nutrition Education Center would be named the "Grand Avenue Market". An empty lot located in the central business district on Grand Avenue was selected as the home for the new store, and the Grand Avenue Market would be operated by a community foundation board of directors. The board of directors would directly supervise the market managers and the managers would directly oversee the market staff.

Views of Grand Avenue



Photos provided by Jeanne Roberts

ADDITIONAL PUBLIC-PRIVATE PARTNERSHIPS

Fare and Square in Chester, Pennsylvania

Daily Table in Boston, Massachusetts

COOPERATIVE MODEL

Defining Characteristics

There are several defining characteristics of this form of rural grocery operation. First, cooperatives are operated by a board of members who have financial buy-in. Community investors therefore take special interest in the success of the grocery operation. Second, members are allowed special privileges and an equal voice in the decision making process by virtue of the co-op structure. The structure is also fluid so members can join or leave as they please without disrupting business operations. Lastly, member participation ensures a better quality of service and product because the cooperative structure allows members to address their own unique needs and pool their resources to do so.

Challenges

- 1** Inconsistent investment capital. Because co-ops are voluntary, funding is dependent on membership participation.
- 2** Conflicting values. Co-op formation allows members equal voting rights. Disagreements among members can therefore heavily impact business operations.
- 3** Potential lack of participation. As a voluntary formation, co-op members may not fully perform their duties impeding progress.
- 4** Delayed decisions. Oftentimes, both the board of directors and co-op members are involved in the decision making process which can be time consuming.

Benefits

- 1** Purchasing power. Group participation allows for resource aggregation, which further promotes collective action.
- 2** Ownership and democratic control. Members have the right to an equally-weighted vote in the decision making process.
- 3** Membership benefits. Because members financially support the co-op, they are able to enjoy benefits such as discounts, rebates, and access to special products and events.
- 4** Local leadership development. Successful, growing cooperatives give local citizens the opportunity to become more self-reliant and informed about their community.

REFERENCES

- 1) Nebraska Cooperative Development Center. (2016). FROGS. Retrieved from <http://ncdc.unl.edu/frogs.shtml>
- 2) Nebraska Entrepreneurship. (2011). First Rural Organic Grocery Store starts up in Central Nebraska. Retrieved from <http://www.nebraskaentrepreneurship.com/postarchive/first-rural-organic-grocery-store-starts-up-in-central-nebraska/>
- 3) "Overview: Cooperatives". (n.d.). Retrieved from <http://community-wealth.org/strategies/panel/coops/index.html>
- 4) Pore, R. (2011, April 23). FROGS to the rescue in Wolbach. The Grand Island Independent. Retrieved from http://www.theindependent.com/news/progress/frogs-to-the-rescue-in-wolbach/article_c5492da8-8c46-5e73-bb8a-313172e90e3d.html

Case Study: Wolbach, NE

The Challenge

Wolbach is a small community of 270 residents located in central Nebraska. In January 2015, the community was faced with losing Wolbach Grocery, its only grocery store. As a community of elderly residents and young families, traveling to the next nearest town for groceries was a grim option with rising gasoline prices. The community saw the opportunity to pursue the dream of a different kind of grocery store, one, as Annette Glen said the community "didn't want [to just be] a convenient store...it is all about choices."

The key to addressing the loss of the local grocery store in Wolbach was developing key partnerships:

COOPERATIVE MODEL: KEY PARTNERSHIPS

1 Azure Standard Cooperative (ASC)

ASC operates a national organic food supplier based in Oregon. Healthy food options are an important part of Wolbach's grocery store business model.

2 Country Cookin' Cooperative (CCC)

CCC is a cooperative buying club that specializes in natural, organic foods and products. They deliver directly to customers, buying clubs, and retailers, including Wolbach's new grocery store.

3 Nebraska Food Cooperative (NFC)

NFC brings together producers and consumers seeking equitable relationships. As a marketing and distribution service, NFC improves market access for farmer producers and local food access for consumers. NFC purchased the building where Wolbach's new grocery store is located.

4 Co-op Members

Members were able to purchase the business itself as the last step in solidifying the grocery operation.



Co-op board members



Photograph by Barrett Stinson. Retrieved from http://www.theindependent.com/news/progress/frogs-to-the-rescue-in-wolbach/article_c5492da8-8c46-5e73-bb8a-313172e90e3d.html

Case Study: Wolbach, NE

The Result

The First Rural Organic Grocery Store (FROGS) celebrated its grand downtown opening in June 2011. The community-driven grocery store is both collectively owned and operated by its members on a volunteer basis and is a nonprofit. FROGS pursues a mission to support local producers and sustainable agricultural practices; the store acts as a marketing opportunity for these local growers and small family producers. FROGS also aims to educate consumers who are health-conscious or desire to be.

The first of its kind in the state, FROGS offers wholesome, high quality, natural foods at reasonable prices to all of central Nebraska. The cooperative's emphasis is to increase the sales of natural food items that do not contain pesticides, genetically modified organisms (GMOs), or bovine growth hormones. Shoppers are able to purchase a variety of conventional, non-conventional, and special order foods in addition to the store's growing selection of certified organic products. FROGS also offers daily coffee, breakfast, and lunch items. Members can purchase homeopathic and aromatherapy items. The store offers three levels of membership: Level 1 for community members who shop but don't have voting rights; Level 2 for those who pay a membership fee and receive store discounts and voting rights; and Level 3 for those who volunteer and receive store discounts in exchange. According to FROGS, this model allows everyone in the community to be involved.



FROGS in Wolbach, NE

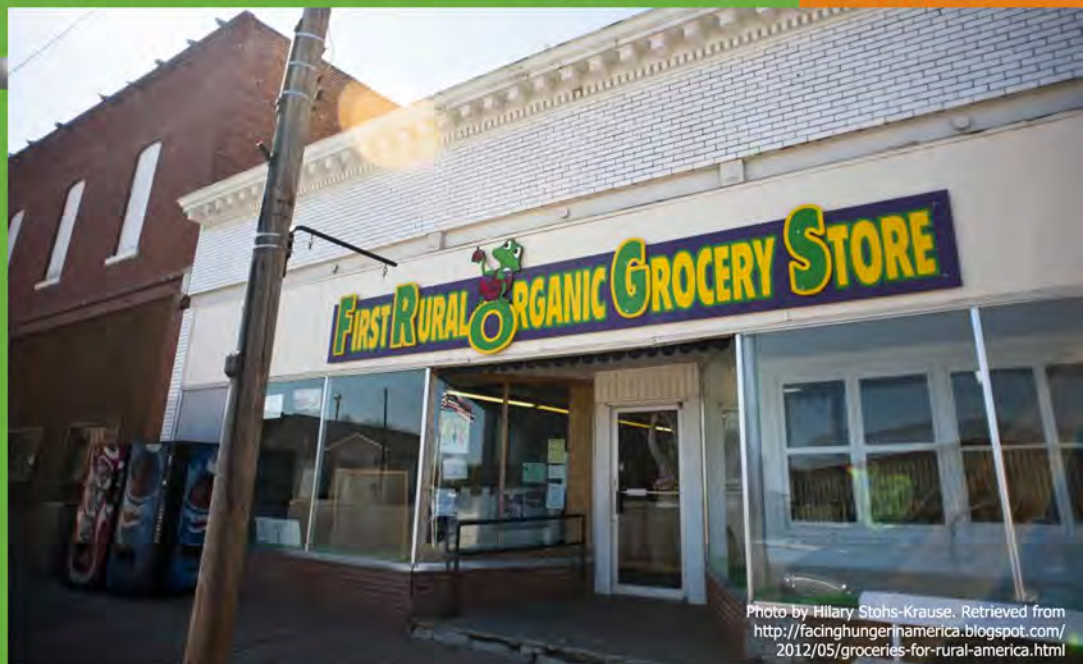


Photo by Hillary Stohs-Krause. Retrieved from <http://facinghungerinamerica.blogspot.com/2012/05/groceries-for-rural-america.html>

ADDITIONAL COOPERATIVE MODELS

Elwood Hometown Cooperative Market in Elwood, Nebraska
Anita Grocery Cooperative in Anita, Iowa

PUBLIC/PRIVATE PARTNERSHIPS

Defining Characteristics

There are several defining characteristics of this form of rural grocery operation. First, public/private partnerships depend on the perspective from elected officials that availability and access to groceries is a public good. Public institutions should, therefore, invest in this form of commerce. The public good is not only food access, but is also critical in terms of property values and local sales tax receipts. Grocery stores are also good for other local businesses and ultimately important for the sustainability of the community itself. This model is also highly collaborative.

Challenges

- 1** Terms can be complex. The goals, objectives, incentives, and motivations of a wide range of stakeholders can be logistically challenging for contract negotiations.
- 2** Strategic plans are necessary. A clear legal and regulatory framework is crucial to achieving a sustainable solution.
- 3** There is cost attached to debt. Project costs are usually taken on by either customers or public entities via subsidies until the project produces a return on investment.
- 4** There is no unlimited risk bearing. The more entities involved in a partnership, the more risk/costs associated. It will be necessary to determine who will take on what costs as well as who controls what.
- 5** Long-term and complex partnerships produce unanticipated contingencies. Regardless of the terms determined in contract negotiations, unforeseen circumstances arise and it should be expected that some of these issues will have to be handled during the course of the project.

Benefits

- 1** Access to finance. When either sector is cash poor, the latter sector can provide access to capital in order to move projects forward.
- 2** Access to technology, people, & skills. Synergies also create increased opportunity for innovation.
- 3** Transfer of risk. Balancing cost and risk for the public sector and risk and reward for the private sector is the motivation for PPPs.
- 4** Investment opportunities. Without PPPs, few private entities would have the chance to work on major capital infrastructure projects, helping them to develop knowledge, experience and skills, all of which can be constructively reapplied back into the private sector.
- 5** Business development. When partnering with the public sector, businesses can also work with courts, prisons, schools, or waste management services.

REFERENCES

- 1) Capital Insights. (n.d.). The five key advantages of public-private partnerships. Retrieved from <http://www.capitalinsights.ey.com/features/features-edition-12/ey-capital-insights-12-public-private-partnerships.aspx>
- 2) Slivka, J. (2013). Perspectives: The risks of public-private partnerships. Business Insurance. Retrieved from <http://www.businessinsurance.com/article/20131117/ISSUE0401/131119899>
- 3) World Bank. (2015). Benefits and risks of public private partnerships. Retrieved from <http://ppp.worldbank.org/public-private-partnership/overview/ppp-objectives>

Case Study: Onaga, KS

The Challenge

Onaga, Kansas is a rural community of 700 people located 100 miles west of Kansas City. Its only grocery store burned down on December 2, 2010. As one eye witness to the tragedy lamented, "It's a cryin' shame because, you know, now if your car breaks down or something, how will you get groceries? Now what is Onaga going to do?" The biggest hardship of not having a grocery store would fall on those who've lived in Onaga the longest. Onaga resident Lois Loucks says, "There are a number of elderly here that do not drive. You're looking at a thirty-mile commute one-way to get groceries. It's gonna be a real problem."

The key to addressing the loss of the local grocery store in Onaga was developing key partnerships:

**PUBLIC/PRIVATE
PARTNERSHIPS:**

KEY PARTNERSHIPS

1 Local Café

A local café, Wanda's Country Cooking, expanded its inventory and services to try to make sure everyone had food. According to the café's co-owner, Karla Rice, the loss of the town's only grocery store came at the worst possible time. "The holidays and the rest of the winter was going to be pretty tough for everyone in this town," she said. "We decided that we have a lot of elderly people in Onaga and it was in the middle of winter. So, we decided to make sure that everyone had the bare necessities of meat, milk and bread." Their service and grocery inventory grew from there. Rice said, "We go to town three times a week and folks would call down here and just ask us to get whatever they needed and we would just pick up whatever they needed for them." Wanda's will keep carrying the necessities until a new store comes in, and they hope it will at least keep people shopping in town. Kocher says, "I feel like it will just go downhill if we don't get something going here."

Rice says having the makeshift store has been good for business, but they'll be happy to pass that business to a new store and not have to drive 45 minutes away, three times a week. Rice says, "You don't know what you have until you lost it."

Aftermath of the Onaga fire



http://www.wibw.com/home/headlines/Fire_destroys_small_kansas_towns_only_grocery__111262814.html

2 Pottawatomie County Board of Commissioners

Shortly after the fire, the Pottawatomie County Board of Commissioners provided the City of Onaga with a county-owned minibuss and the city set up a shuttle service that ran two days a week to allow people to get to other grocery stores in the county. These grocery stores were in communities 30-40 miles away.

Case Study: Onaga, KS

3

City of Onaga

The city looked into establishing a temporary grocery store but could not locate an appropriate building. They explored a building used for their annual county fair, but that building didn't have any heat, so they abandoned that idea. In early summer 2011, the City of Onaga did enter into a partnership with a private entrepreneur to build and operate a community grocery store. The partnership calls for the private operator to own the land and make equity investments in the store equipment, all inventory, and start-up costs. A local, private bank is financing the grocery building and also helping finance equipment and start-up costs. The City of Onaga is providing 100% of the cost of the new grocery facility. The city is providing five annual payments to the private storeowner who will then use those payments to repay the local bank. At the end of five years the bank and city relinquishes the mortgage and any ownership interest in the building to the private owner, so long as the business owner operates the grocery store over a twenty year period the city's investment is forgiven. The City of Onaga "recovers" its money through local sales tax revenue generated at the grocery store over the twenty-year period the store is in operation. The city believes this is a worthwhile investment because without a grocery store, people are looking to move elsewhere, they have lost sales tax from the burned out store, and other businesses are reporting they are seeing fewer customers resulting in less sales tax for the city. As the Onaga mayor pointed out, "Without a store, your town disappears, and the valuation of property goes down. Residents have scattered like geese to area towns to buy groceries and other goods. Sales tax leaves the town and county."



Onaga Country Market



<http://facinghungerinamerica.blogspot.com/2012/05/groceries-for-rural-america.html>

The Result

In response, citizen leaders, businesses, and local governments all collaborated to figure out short- and long-term strategies to provide groceries to the citizens of Onaga. With their help, Pam Budenbender opened the Onaga Country Market in December 2011. The store has five full-time employees and 10 part-time employees and provides groceries to Onaga citizens and rural residents. As the Onaga mayor said reopening the grocery store "has been like Christmas."

ADDITIONAL PUBLIC-PRIVATE PARTNERSHIPS

St. Paul Supermarket in St. Paul, Kansas

C & S Family Market in Williamsburg, Pennsylvania

COMMUNITY-OWNED ENTERPRISE

Defining Characteristics

There are several defining characteristics of this form of rural grocery operation. First, a community-owned store is in the unique position to preserve local character. Community members understand the dynamics of everyday life and are able to respond through the grocery store operation. Second, involving community members in the ownership process not only provides opportunity for civic engagement but also enables those who feel the impact of a decision to make critical decisions affecting the business. Finally, community members are able to understand the economics of operating a grocery store and directly support their own local economy by keeping locally generated dollars recycling in the community.

Challenges

- 1** Economic base.
Local residents are responsible for the store financially so the smaller the town's population, the smaller the investment potentially.
- 2** Higher expectations.
Being intimately involved with store operations often results in higher standards for quality and variety of goods and services provided.
- 3** Sustained efforts.
Since the community is invested in the store, there is a certain responsibility to continue to support the store in all aspects of its operations to remain successful.
- 4** Diverse inputs.
When shareholders' opinions are equally weighted, making fair decisions can become an arduous task.

Benefits

- 1** Meeting unique needs.
Since community members own and operate the store, they determine product assortment.
- 2** Fair pricing.
A sense of responsibility toward fellow community members ensures fair practices.
- 3** Community investment.
By selling stock to local residents, the grocery store is financially supported by the community.
- 4** Encouraging civic participation.
The sale of stocks also allows for widespread ownership thus providing the opportunity to increase community action and decision-making.

REFERENCES

- 1) Bailey, J.M. (2010). Rural grocery stores: Ownership models that work for rural communities. Center for Rural Affairs. Retrieved from <http://files.cfra.org/pdf/rural-grocery-ownership-models.pdf>
- 2) Bane, V. (2009). A town saves its grocery store. *People*, 71(13), 122.
- 3) Booth, M. (2008, November 23). Town working together to carry groceries. *Denver Post*. Retrieved from http://www.denverpost.com/news/cl_11047297
- 4) "Community-owned grocery store success story continues". (2008). *Colorado Country Life*. Retrieved from <http://www.crea.coop/Portals/0/DOCs/SECPA%20Grocery%20Store%20Assistance.pdf>
- 5) Marttila-Losure, H. (2015). Communities mind their own business. *Dakotafire*. Retrieved from <http://dakotafire.net/article/communities-mind-business/>

Case Study: Walsh, CO

Walsh, Colorado is a small farming and ranching community. Located about 280 miles southeast of Denver, Walsh has a population of 527. In September 2006, the town's only grocery store shut down after being sold to an absentee owner. This was the first time the town had been without a grocery store since it was incorporated in 1927. The nearest grocery store was 20 miles away, further complicated by potentially dangerous winter weather conditions. It became clear to resident Rick Mills that they "had to get [their] grocery back" because "once the dollars leave, they don't come back", but the prospect of costly feasibility studies challenged their initial efforts.

The key to addressing the loss of the local grocery store in Walsh was developing key partnerships:

COMMUNITY-OWNED ENTERPRISE: KEY PARTNERSHIPS

1 Walsh Community Residents

The people of Walsh called a town meeting and voted to reopen the store as a community. With over 300 community members buying shares of \$50 each, the town was able to raise over \$200,000 through donations and investments. The funds raised were enough to purchase the established store building and equipment and begin renovation of the property.

2 Southeast Colorado Power Association

Although the community of Walsh had secured a bank loan to help get the store up and running, additional operating capital was still needed. According to Richard Wilson, the CEO of Southeast Colorado Power Association, "When we were contacted about the project we knew we needed to help where we could." The Association secured a \$160,000, 0% interest rural economic development loan through the U.S. Department of Agriculture Rural Economic Development program on behalf of the Walsh community.

Walsh residents receiving
a check from the USDA



<http://www.crea.coop/Portals/0/DOCs/SECPA%20Grocery%20Store%20Assistance.pdf>

Case Study: Walsh, CO

The Result

Walsh Community Store, Inc. is open seven days per week with 14 full- and part-time employees. The store opened a meat locker and meat-cutting counter that cuts prime rib to order. Deliveries are made to elderly residents. Perks like these are just some of the benefits of being community-owned. The store also serves as a social hub for the Walsh community or, as one community resident put it, "This is the local hangout".

With first year sales of \$1 million, Walsh Community Store, Inc. is also an economic hub in the community. A prime source of local sales-tax revenues, the store contributes to the maintenance and repair of city streets and water pipes. With such success, board members hope to pay off their 10-year loan early and the community is looking for more local improvement projects.

Local shoppers at Walsh Community Grocery, Inc.



"America's Heartland". Retrieved from <https://www.youtube.com/watch?v=Y0dCgGGdSCU>

ADDITIONAL COMMUNITY-OWNED ENTERPRISES

The Mercantile in Powell, Wyoming
GCIA Grocery & Distributing in Gove, Kansas



RURAL GROCERY STORES: IMPORTANCE AND CHALLENGES



**CENTER for
RURAL AFFAIRS**
Lyons, NE 68038 Population 963

Jon M. Bailey
Center for Rural Affairs
Rural Research and Analysis Program
October 2010

The local grocery store is an integral institution of rural communities and in rural life. Not only does the local grocery store provide the sustenance of life, it fills the roles of economic driver, community builder, employer and meeting place. Unfortunately, many rural communities across the nation are losing local grocery stores, and residents are forced to leave their communities to purchase food, often at great expense due to great distance. This brief examines trends regarding rural grocery stores, reasons why rural communities are losing grocery stores, and some of the personal and community implications when a community lacks a grocery store. Finally, we examine some of the issues and challenges facing rural grocery stores.

The Disappearing Rural Grocery Store

Rural grocery stores are slowly disappearing across the nation. Specific data on the decline can be seen in Midwestern and Great Plains states.

- In Iowa the number of grocery stores with employees dropped by almost half from 1995 to 2005, from about 1,400 stores in 1995 to slightly over 700 just 10 years later. Meanwhile, “supercenter” grocery stores (Wal-Mart and Target, for example) increased by 175 percent in the 10-year period. (O’Brien)
- In rural Iowa, 43 percent of grocery stores in towns with populations less than 1,000 have closed. (Procter)
- In Kansas, 82 grocery stores in communities of fewer than 2,500 people have closed since 2007, and nearly one in five rural grocery stores has gone out of business since 2006 (Kansas State; Procter). In total, 38 percent of the 213 groceries in Kansas towns of less than 2,500 closed between 2006 and 2009. (Impact Lab)

As with many other traditional institutions in rural areas, the local grocery store is slowly being drained out of communities.

The Reasons Why

Many reasons conspire to leave a community without a grocery store. Declining populations mean that a number of rural communities are without an adequate customer base for a local store. A certain population is needed to maintain a grocery store. In 2000, the average population needed to maintain a grocery store was 2,843. By 2005 the necessary population had risen to 3,252. (O’Brien) While the minimum needed population is increasing, most rural communities and counties are decreasing in population. Rural grocery stores, therefore, are fighting larger rural demographic trends.

Rural grocery stores are also fighting changes in larger purchasing patterns among Americans. Between 1990 and 2000, the incidence of residents in towns with populations under 2,500 out-commuting (going to work and presumably shopping in

other communities) increased by 72 percent.

The advent of corporate, chain grocery store facilities in nearby larger cities and the relative ease in driving due to advances in vehicles and highways often make shopping at larger grocery stores more attractive, further reducing the customer base and the economic margins for small, local stores. The lack of employment opportunities in many rural communities means rural residents have to work in larger communities, with shopping more convenient in places where people work.

This combination of work and shopping patterns among so many rural people is also shown in consumer preferences of how people choose their grocery store. A 2007 Nielsen Company study found that 60 percent of consumers stated that a grocery store that “provides good value for the money” was the most important factor in deciding where to grocery shop. Only 23 percent of consumers cite proximity to home as the most important factor. (Nielsen)

Aging ownership and a lack of transfer opportunities may leave communities without a local store when owners retire or decide to leave the business. A lack of available small business capital in rural communities may also prevent younger or new entrepreneurs from beginning a grocery business.

All of these demographic and economic issues exist in many rural communities of the nation (and most rural communities of the Midwest and Great Plains), leaving a large section of the nation and a large portion of rural America to struggle with questions of how to provide food to a community in ways that benefit the local community.

Implications for the Community

For most rural communities facing the loss of a local grocery store, failure is not an option. Allowing a local store to close and remain closed until the community or the economy rebounds does nothing but place the community on a path for further depopulation and economic decline. New residents and young families are unlikely to want to live in a community without a place to purchase food, and purchase patterns get set as people start and become accustomed to purchasing food in another community. The lack of resources and reliable transportation for many rural residents also raises the specter of hunger and unhealthy eating in communities without a local grocery store.

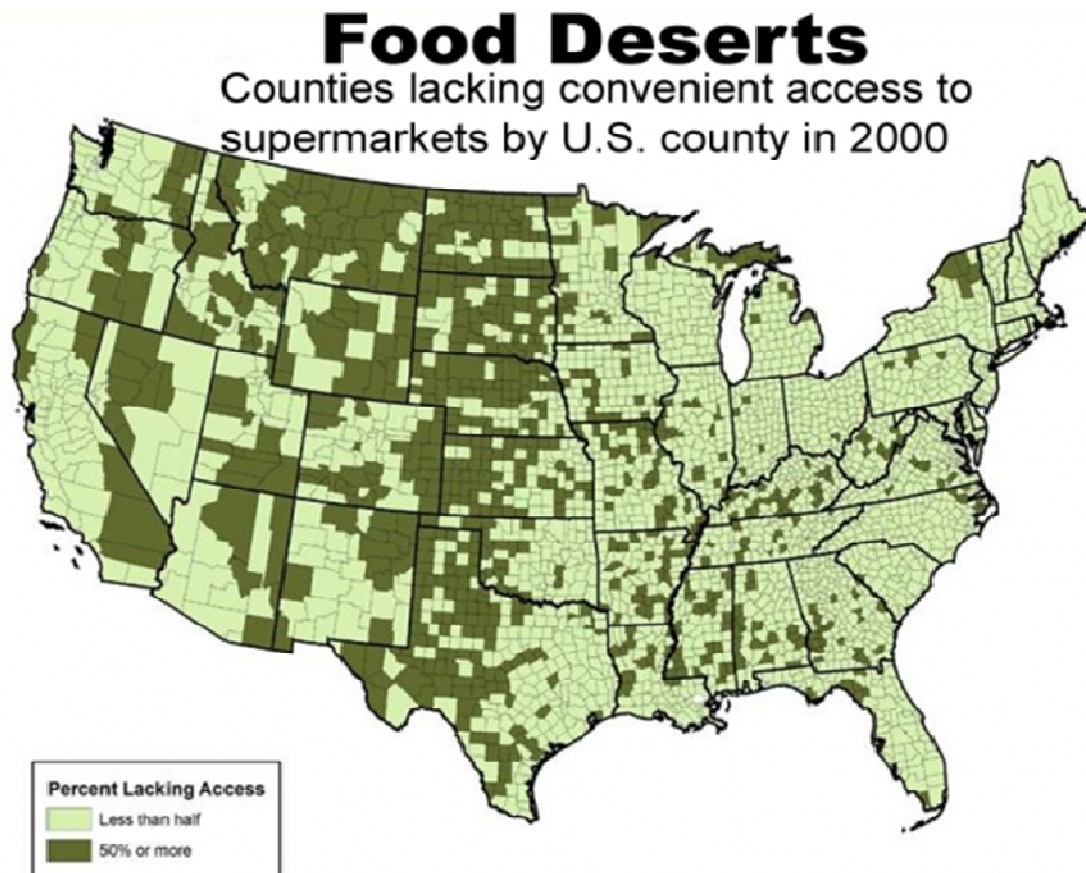
The loss of local grocery stores and the continued consolidation of food retailers also affect rural populations differently. Of particular concern is the rural elderly. As their “mobility and social support system diminish with the out-migration of younger family members” they become more dependent upon non-local food sources to which they have to drive or find transportation. (Morton 2004) An Iowa study of rural residents found significant long-term implications of the disappearing local grocery store. Rural residents over 70 years of age are more dependent on the local grocery store and depend upon others more for transportation for grocery shopping. (Morton 2004) As grocery shopping and transportation options become less available in rural

communities the rural elderly are the ones who will be most affected.

All residents in many rural areas of the nation—no matter their age or income—are affected by the growing phenomena of rural “food deserts”—the lack of outlets to purchase food despite the public and private resources to do so. The lack of access to grocery stores in many rural areas is striking. The most recent data available from USDA shows that 803 counties in the United States are classified as “low access” areas, meaning half or more of the population of the county lives 10 or more miles from a full-service grocery store. (Morton 2007)

The Great Plains region has the largest concentration of such counties (while also having the largest concentration of high out-migration counties). USDA has classified 418 counties as “food deserts”—all the residents of a county are 10 or more miles away from a full-service grocery store—and 98 percent of those counties are rural. (Morton 2007) Again, the Great Plains was found to have the highest concentration of “food desert” counties. The real life consequences of living in a “food desert” are less access to a full range of healthy foods, less healthy eating, and less healthy people. The long-term consequences of less healthy individuals, families and communities are, of course, substantial.

The map below shows counties lacking convenient access to grocery stores across the nation.



Source: Procter, Morton 2007

Issues and Challenges Facing Rural Grocery Stores

The issues and challenges facing rural grocery store mirror the larger ones facing rural communities and rural small businesses. In 2008, the Rural Grocery Sustainability Project of the Kansas State University Center for Engagement and Community Development surveyed rural Kansas grocers on a variety of topics, including the issues and challenges facing them. (Clark) The surveyed rural grocery stores offered the following, in order, as the major challenges for their stores (respondents could chose as many offered options as applied):

- Competition with large chain grocery stores
- High operating costs
- Availability of satisfactory labor
- Narrow profit margins
- Taxes
- Government regulations
- Lack of community support

When asked to identify the most significant challenge, the respondents offered, in order:

- Operating costs/utilities
- Labor availability/costs
- Competition with large chain grocery stores
- Taxes and regulations
- Lack of community support
- Low sales volume

The survey also revealed other issues facing rural grocery stores. Nearly half of respondents stated minimum purchasing or ordering requirements were set too high, with the most respondents stating that they were charged a surcharge if the minimum order was not met. About 40 percent of respondents also said they were not provided fair pricing compared to chain stores, and 35 percent stated they had problems getting products delivered because of their location. (Clark)

Based on this input, Kansas State University has identified six general challenges to rural grocery stores. (Rural Grocery Store Sustainability)

Challenge #1: Competition with Chain Grocery Stores

Challenge #2: Coping with the High Costs of Energy

Challenge #3: Meeting Minimum Buying Requirements

Challenge #4: Dealing with Labor Issues

Challenge #5: Dealing with Community Support

Challenge #6: Models of Ownership

Rural counties defined as “food deserts” or with low-access to food face significant economic and health challenges. A survey of rural Iowa counties meeting the “food desert” criteria found that large segments of the population lacked adequate consumption of fruits, vegetables, dairy and protein. (Morton 2007) This is an issue of cost or access, or both. Studies have found that rural grocery stores have “limited variety of quality foods” and “tend to charge higher prices for those products.” (Morton 2007, Morris, Kaufman) Yet the Iowa survey found that when compared to superstores, many local grocery stores charged lower prices for basic food products important to a healthy diet and that local residents took advantage of the small local grocery stores in their community. (Morton 2007) Findings demonstrate hope for local grocery stores in rural, low-access and food desert areas.

Our next Brief will examine models of rural grocery store ownership and how they deal with each of the challenges facing rural grocery stores.

References

- O'Brien, Meghan. 2008. *Small Town Grocers in Iowa: What does the future hold?* Ames, Iowa: Iowa State University Extension.
- Procter, David E. “The Rural Grocery Store Crisis,” *Daily Yonder*, August 18, 2010. <http://www.dailyyonder.com/rural-grocery-crisis/2010/08/17/2893>.
- Kansas State University, Rural Grocery Initiative. <http://www.ruralgrocery.org/>.
- Impact Lab. “Grocery Stores Closing in Record Numbers,” July 5, 2010.
- Nielsen Company. 2007. “Good Value is the Top Influencer of U.S. Grocery Store Choice, Nielsen Reports.” Schaumburg, Illinois: The Nielsen Company.
- Morton, Lois.W., Bitto, Ella A., Oakland, Mary J., and Sand. Mary. 2004. “Iowa Food Security, Insecurity, and Hunger.” Ames, Iowa: Iowa State University Extension.
- Morton, Lois W., and Blanchard, Troy C. 2007. “Starved for Access: Life in Rural America’s Food Deserts.” *Rural Realities*, Volume 1, Issue 4.
- Clark, Paul, Tsoodle, Leah, and Kahl, Dan. 2008. *Rural Grocery Sustainability Project Owner Survey*. Manhattan, Kansas: Kansas State University, Center for Engagement and Community Development.
- Kansas State University, Rural Grocery Store Sustainability. <http://www.ruralgrocery.org/bestpractices/>.
- P. M. Morris, L. Neuhauser, and C. Campbell. 1992. “Food Security in Rural America: A Study of the Availability and Costs of Food.” *Journal of Nutrition Education* 24: 52S-8S; (1992).
- P.R. Kaufman. 1998. “Rural Poor Have Less Access to Supermarkets, Large Grocery Stores.” *Rural Development Perspectives* 13: 19-26.

ABOUT THE AUTHOR

Jon Bailey is Director of the Rural Research and Analysis Program at the Center for Rural Affairs. Jon has undergraduate and law degrees from Creighton University and a Masters in Public Policy from the College of William and Mary. Jon served as Legislative Fellow with U.S. Senator Kent Conrad and Special Assistant to the Associate Commissioner for Policy and Planning in the Social Security Administration. Jon has authored publications on rural health care policy, rural development policy and contributed to the Wealth Building in Rural America project sponsored by the Center for Social Development at Washington University.

ABOUT THE CENTER FOR RURAL AFFAIRS

Established in 1973, the Center for Rural Affairs is a private, nonprofit organization with a mission to establish strong rural communities, social and economic justice, environmental stewardship, and genuine opportunity for all while engaging people in decisions that affect the quality of their lives and the future of their communities.

ACKNOWLEDGEMENTS

This paper is made possible by the generous assistance of the Cooperative Foundation and the MSC Fund of the Cooperative Development Foundation.

© 2010, Center for Rural Affairs, 145 Main Street, P.O. Box 136 Lyons, Nebraska, USA 68038

THE RURAL GROCERY CRISIS

- **By David E. Procter**

August 18, 2010

Print article

Rural groceries are in trouble. They are pressured by high utility costs, competition from big box chains and by customers who drive to find bargains instead of buying at home

"We are one of your statistics, I'm afraid. We are losing our grocery store in Protection. The owner has an illness and she must sell or go out of business. It will be a sad situation for an already depressed town."

This email, from an economic development director in Southwest Kansas, is one of many we've received at Kansas State University. Similar emails, letters, and phone calls are coming into non-profits, local governments, universities, and economic development offices, and all are making the same point.

Rural America's grocery stores are facing a crisis. These businesses are closing at an alarming rate. Almost daily another small-town, independently-owned store shuts its doors and closes up shop.

In Iowa, for example, 43% of grocery stores in towns with populations less than 1,000 have closed, while in Kansas, nearly one in five rural grocery stores has gone out of business since 2006. These disappearing businesses are creating a crisis, as rural grocery stores represent a critical piece of the infrastructure that sustains rural America.

Rural grocery stores are part of the economic engine that sustains rural communities. They are a significant source of local taxes, powering the creation and maintenance of civic services and amenities. They provide essential, stable jobs – butchers, cashiers, managers, and stockers – at a time when we are desperate for employment opportunities.

Dollars spent at a local, independently-owned grocery store cycle through the local economy more than do dollars spent in national chain stores at the edge of town, and certainly more so than when those dollars are spent at an out-of-town big-box market.

Rural grocery stores are also a vital source for nutrition and health, providing a supply of fresh fruits, vegetables, dairy and protein. Where no grocery store exists, rural citizens are living in a "food desert." Citizens in these food-deprived areas struggle simply to find healthy and nutritious food for their families and themselves.

From initial investigations out of our office at the Center for Engagement and Community Development at Kansas State University, it has become clear that many parts of rural America are facing a crisis of access to healthy foods. Research indicates that millions of rural Americans live in food deserts.

A majority of the land area in several states of the Midwest and Mountain West could be described as food desert. "Severe" food desert counties – area where citizens have to drive more than 10 miles to a grocery store – are still apparent in the western portions of the Great Plains states. Approximately 40% of Kansas counties are "severe food desert" counties, and a significant portion of the population in half of Oklahoma's 77 counties live in severe food deserts. The following map displays the food deserts throughout the U.S. and illustrates the severity of this problem in the central plains.

Grocery stores are also important vehicles for community development. They serve as gathering places, where folks see one another, talk about the latest issues affecting their towns, and dream together about what their communities could be. Just like our local schools, cafes, and post offices, rural grocery stores are important community assets, providing tangible evidence of local strength and stability.

So, the question is, why are these rural stores closing? Certainly, there are difficult economic and demographic trends that hurt rural grocery stores' chances to remain profitable. These include rural population decline, increased competition from larger chain stores, new shopping patterns, and changing food distribution models.

But we wanted to understand the crisis from the perspective of the rural grocery store owner and work to address those challenges. To understand the significant challenges rural grocery stores face, Kansas State mailed a survey to all rural grocery stores in Kansas communities with populations of 2,500 or less. Eighty-six of the 213 grocery stores responded. (You can see the full survey and complete results [here](#).)

Kansas State University and the Kansas Sampler Foundation – a Kansas non-profit dedicated to preserving rural Kansas – hosted a rural grocery summit in 2008 and asked the 70 storeowners attending to describe their most significant challenges. Finally, we conducted in-depth interviews with five rural grocery store owners and again asked them about the issues that challenged them the most.

From all of this, we identified the "Big Seven Challenges" facing rural grocery store owners. These challenges and the percentage of store owners identifying them as significant are illustrated in the graph below.

*The most frequent, significant challenge identified by our rural grocers was competition with big box grocery stores.

In the past twenty years, we have seen a tremendous rise in the number of big-box, national-chain markets. In addition, big-box wholesalers have moved into the grocery business, and now many offer large food sections as part of their stores. Rural store owners view these stores as competition that threatens their very survival.

*We also heard about the challenges of building maintenance, insurance, and shipping costs in the grocery business. The most significant operating expense is utilities, particularly energy. The costs of heating and cooling any store are significant.

By far, though, the operating cost of refrigeration is the greatest challenge. Many store owners struggle with outdated and inefficient coolers. A broken cooler could ruin a significant percentage of a grocery's inventory.

*Many rural grocery stores struggle to find an adequate supply of reliable workers. Besides the challenge of finding "good help," in many small towns there is also the problem of finding any employees at all. In many rural communities, there is simply a lack of available folks to hire. This can be a real problem, because if the store owner and family are the only workers, they are likely to burn out or wear out.

*Rural grocers must abide by a variety of regulations, such as those governing alcohol sales, food handling, WIC and SNAP participation, proper labeling, workers' comp, and federal and state wage laws.

Some grocers feel these government regulations are overly intrusive, but for others the problem regulations pose is a matter of time and labor.

*Lack of community support is one of the most frustrating challenges faced by rural grocers. Grocers say that they are asked to support a variety of community projects – the local ball team, church youth groups, the 4-H Club. They are frustrated when they notice adult sponsors and parents of these community groups traveling to distant big box stores to do their grocery shopping.

*This challenge of low sales volume is related to several others, and of course poses a basic problem. Nearly all rural grocery stores – certainly those in Kansas – are required to purchase a minimum dollar-amount of food each week from wholesale distributors. For small stores and especially those struggling with low sales volumes, this is a significant challenge.

If stores cannot meet the minimum, food distributors simply won't deliver food to their stores; they will literally drive right past and onto a store in the next town where the minimum can be met.

David E. Procter is director of the [Center for Engagement and Community Development](#) at Kansas State University.

CITY OF OSAWATOMIE



MEMORANDUM

To: Mayor and City Council

From: Don Cawby, City Manager

Re: **Projects & Issues Update**

Date: March 9, 2017

Projects

CDBG Projects. We are holding an open house on Wednesday, March 15 at Memorial Hall, from 5:00 to 6:30, to provide an opportunity for public feedback on the Main Street Phase II project.

KHRC Site Visit. We have just learned that we will have a site visit for the LIHTC application of senior housing on the “Ten Acres” site. I am not sure what this means for the success of the application, but we will continue to put our best foot forward for this project.

New Stores. Construction is progressing according to schedule for both the Dollar General and Casey’s General Store buildings. We are in discussion with Casey’s about needing to replace the approach on O’Neal from Main Street and how they might be able to help participate in the replacement. We have not been given a specific commitment, but we believe they will work with us to get that portion of the project done before they open. We believe it would be a much bigger headache to close and repair the approach after the store is open for business.

Issues

Farmer’s Market. Diana Neal and Janet McRae are putting the full-court press on to try to figure out how to revive a Farmer’s Market in Osawatomie. I have volunteered to put them wherever works best for them and may offer to cover the increased insurance costs associated with having the Market. I don’t yet know the extent of those costs, but I believe we need to provide an opportunity to buy produce locally as much as possible.

Alumni. Diana Neal contacted me about Alumni having their dance downtown again. I am very supportive of the idea and requested that she put in a special event permit application for the event and a beer permit.

PRIDE Committee. We were notified a couple of weeks ago by Sarah Dorsett and Tammy Booe that they would no longer be heading the PRIDE committee. They have both been active with PRIDE for years and finally decided it was time to let someone else take over. We completely understand and appreciate the amazing work both of them have done for the community and PRIDE Committee.

At this time the PRIDE Committee has been acting as the de-facto Tree Board and also has been planting and maintaining the flowers in the downtown area. I would appreciate any help we can get to let people know we need more help with both of these projects. And I would request help in someone taking the lead to get the Tree and Parks Committee up and running so we can keep our Tree City USA designation.

Trees on Main. On a related note, we will likely need to do a major tree planting along Main Street this fall. I have asked Blake to start looking into some options, but we would really like to replace the damaged downtown trees and fill back in the Phase I trees with a variety of trees selected from a selection of a short list that we support being planted in the right of way. We are going to consult with Kim Bomberger of KSU for some suggestions, but this is really another task a Tree Board needs to take on for providing guidance on both the aesthetic and practical applications of creating a new tree stock.

Fire Board. We learned this morning that County Commissioner Rob Roberts made an official request of the County Commission to look at abolishing the Fire Board and replacing it with the County Commission, and then creating a system where the money for rural fire is distributed to the City Fire Departments through a formula or agreement to provide fire coverage for their assigned fire districts. I believe this is something we would be supportive of, subject to a review of the details and how we deal with a few wrinkles like capital replacement and our water rescue team. I will provide more information when I have a chance to discuss this with Commissioners Roberts and Pretz.

Property & Liability Insurance. We made the decision to go out to bid for Property & Liability Insurance again this year. This decision was prompted by our continuing record of very low losses and the likelihood of getting at least 3 bidders and possibly three separate insurers. I don't expect the large drops like we had a couple of years ago, but I do expect our premiums to be more likely to stay in check.

Upcoming Meetings/Dates

- March 15 Main Street Phase II Open House
- March 23 City Council Meeting
- April 13 City Council Meeting