

**OSAWATOMIE CITY COUNCIL
AGENDA**

November 8, 2012
7:00 p.m., Memorial Hall

1. Call to order
2. Roll Call
3. Pledge of Allegiance
4. 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. Approve Minutes of October 11 and October 25 Council Meetings
 - B. Approve November 8 Agenda
 - C. Appropriation Ordinances 12-19 & 12-20
5. Comments from the Public; Presentations
 - Citizen participation will be limited to 5 minutes. Please stand & be recognized by the Mayor.*
6. Public Hearing – None
7. Unfinished Business
 - A.
8. New Business
 - A. Appointments – none
 - B. Budget Amendments
 - C. Sewer Rate Increases
 - D. ETI Building Contract
 - E. November 15 Meeting Moved to November 29
9. Council Reports
10. Mayor's Report
11. City Manager's Report
12. Executive Session
13. Adjournment

MEETING/WORK SESSION – none
SPECIAL MEETING – November 29, 2012
REGULAR MEETING – December 13, 2012

Osawatomie, Kansas. **October 11, 2012.** The Council meeting was held in Memorial Hall. Mayor Dudley called the meeting to order at 7:00 p.m. Council members present were Dickinson, Farley, Hunter, LaDuex, Maichel, and Moon. Absent were Govea and Klein. Also present were City Manager Cawby, City Attorney Wetzler, and City Clerk Elmquist. Visitors were Nick Hampson, Webster Hawkins, Wes Duncan and Coleen Truelson.

CONSENT AGENDA. Approval of the minutes of September 13 and September 27 Council Meetings, approval of October 11 Agenda, and approval of Appropriation Ordinances 12-17 & 12-18. Motion made by Maichel, seconded by Moon to approve the minutes of September 27 Council Meeting, approval of September 13 Agenda, and approval of Appropriation Ordinances 12-17 & 12-18. Yeas: All.

Motion made by Hunter, seconded by Maichel to approve the minutes of September 13 Council meeting as amended. Yeas: All.

Public Participation; Presentations: none

Public Hearing: none

City Clerk Elmquist arrived at 7:04 p.m.

Unfinished Business:

WARD REALIGNMENT ORDINANCE. The County Clerk after reviewing the new boundaries of the wards didn't see any problems with the changes. They will be legally adopted as new precincts upon the approval of the County Commission. The change will move 123 people from Ward 3 to Ward 4. Motion made by Hunter, seconded by LaDuex to approve the ordinance setting new alignments for the wards. Yeas: All. The Ordinance was assigned No. 3702.

New Business:

APPOINTMENT – FOURTH WARD COUNCILMEMBER. The nominating committee was composed of Mayor Dudley, President Hunter, Vice-President LaDuex, and Councilmember Maichel, the remaining councilmember in Ward 4. The committee went with the recommendation of Maichel to appoint Nick Hampson. Motion made by Maichel, seconded by Hunter to appoint Nick Hampson to fill Councilmember's John Klein position until the term ends April, 2013. Yeas: All. City Clerk Elmquist administered the oath of office to Hampson.

COURT FEE ORDINANCE. Charter Ordinance No. 12 passed, without protest, to allow the City to establish court fees for alternative sentencing, probation, prisoner care and other costs areas that weren't allowed by current ordinances. The ordinance allows fees to be set by the judge with a monetary limit of \$500. Motion made by Maichel, seconded by Hunter to approve the ordinance allowing fees to be set by the judge with a monetary limit of \$500. Yeas: All. The Ordinance was assigned No. 3706.

Council Reports:

Hunter: The Freedom Festival was well attended and the best crowd they have seen. Tourism is now working on the Christmas Festival.

LaDuex: Talking Tombstones will be held October 27-28 at Oakwood Cemetery.

Moon: Public Safety Advisory Board didn't meet. The 10th anniversary of the annual Fire Department's Open House will be held on October 13. The Chamber of Commerce annual dinner is October 18.

Mayor's Report:

Along with Cawby and Maichel, attended the LKM Conference. Between NEKLS and the Library, some now believe compromises have been made and will work.

City Manager's Report:

Projects:

Sewer Rates. At the next meeting discussion will be continued on sewer rates as it relates to the proposed project and its continued operation. Previously had suggested about a \$0.40 per thousand rate increase over current rates. Will bring a couple of scenarios for discussion between what portion of the rate should be in the base and what should be built into the usage rate.

Swimming Pool. Parks & Recreation Committee met to go over some preliminary plans and to start prioritizing features. Suggested that Ryan and he, along with any Committee members that can make it, do a day tour of 4-5 like sized pools in the area to get a look at all aspects of the pool operation.

Zoning Regulations Update. October 24 Scott Michie will be presenting to a joint meeting of the City Council and the Planning Commission a first rough draft of zoning regulation updates. Has been commenting on adjustments as Michie gets items to him.

Mold. Completed a RFP for remediation. After walking through the RFP, it raised additional questions. There needs to be operational and timing decisions about the gymnasium, the evidence room and other portions of the proposal before its sent out to bid. Will discuss with insurance company about coverage that most likely isn't linked to a single event.

Issues:

Fuel Card Changes. Staff proposed moving from City owned tanks to using Lybarger Fuel's fueling system at the Co-Op. This allows tracking of fuel for each vehicle, entering of odometer or hour meter readings, and to track each purchase by employee. The City would no longer be paying a delivery surcharge for fuel delivered to the Warehouse and Lybarger would give a 3% discount through their fleet program. There would be no costs to change to the system and the City would be able to better track fuel costs.

ETI Building. Meeting tomorrow with Department of Commerce representatives, the City's realtor, and a prospective tenant for the building. The proposal that is on the table is a short-term lease with a purchase option at the end of the lease. Expect there will be requests to take on a portion of the costs during the lease period. Most likely those would be repairs and maintenance, property taxes and possibly some insurance.

LKM. Discovered some good ideas and vendors at the League conference. Now has an interest with liability and property insurance reviews, improving utility billing operations, taking better advantage of the County's GIS resources, and building trust within the community.

Soldiers' Monument. The Soldiers' Monument has received National Historic Register designation. Staff and volunteers are working on improving the site and to see some improvements next spring.

Accounting Position. Interviewed eight individuals for the Accounting Officer position. Currently are checking references and hope to have an offer made within a few days. Lynette Mersman has agreed to stay a couple extra weeks to help with the transition as she retires.

EXECUTIVE SESSION – PERSONNEL MATTER OF NONELECTED PERSONNEL. Motion made by Moon, seconded by LaDuex to recess into executive session for personnel matters of nonelected personnel, to include City Attorney Wetzler; and that the Council will resume the open meeting in this room at 8:05 p.m. Yeas: All. Meeting reconvened at 8:05 p.m. with no action taken.

Motion made by Hunter, seconded by LaDuex to adjourn. Yeas: All.

Ann Elmquist, City Clerk

Osawatomie, Kansas. **October 25, 2012.** The Council meeting was held in Memorial Hall. Mayor Dudley called the meeting to order at 7:30 p.m. Council members present were Dickinson, Farley, Govea, Hampson Hunter, LaDuex, Maichel, and Moon. Absent: none. Also present were City Manager Cawby, City Attorney Wetzler, and City Clerk Elmquist. Visitors were Web Hawkins and Ted Bartlett.

APPROVAL OF AGENDA. Motion made by Hunter, seconded by Maichel to approve the agenda as amended. Yeas: All.

RESOLUTION SETTING HEARING FOR CONDEMNATIONS. Building Inspector Bartlett filed a report with the Governing Body for each of the seven properties identified. A slideshow demonstrated the problems with each property and all have been abandoned. They are: 149 E Pacific Avenue, 301 Reed Street, 709 Parker Avenue, 1201 Fourth Street, 1205 Fourth Street, 1635 Main Street, and 1701 Main Street. Motion made by Hunter, seconded by Moon to approve the resolution setting the hearing for December 13. Yeas: All. The Resolution was assigned No. 655.

HOLIDAY DISCUSSION. Language was presented for a formal amendment to the personnel rules. Motion made by Hunter, seconded by Hampson to approve Christmas Eve a holiday this year. Yeas: All

RFP DEFENSE SERVICES. Farley said there is an indemnification clause and malpractice insurance is required, but the insurance is not required by the State. The costs are low and he doesn't think it is possible to get anyone to respond. City Manager Cawby looked at RFPs used by others. City Attorney Wetzler said this would more efficient in handling municipal court cases.

City Manager's Report:

Projects:

Zoning Regulations Update. Suggested moving the November 15 meeting to November 29. A few small items could be handled and the rest of the meeting would be a joint work session with the Planning Commission.

RFP for Defense Services. Issued an RFP for Public Defense Services for Municipal Court. This was a measure that had been identified as a way to keep case costs down and to also provide more continuity and efficiency in managing the court docket and caseloads.

Baehr Grant. A grant was received from the Baehr Foundation Charitable Trust of \$35,000 for new playground equipment at the Karl E. Cole Sports Complex.

Library Building. Has been working on the issues surrounding the settling of the foundation of a portion of the Library building with City Attorney Wetzler and Library Director Trigg. They have talked to the contractor, architect and their legal counsel in pursuing discussions of the possible causes of the problem.

Levees. Received the Corp of Engineers' levee inspection report. Will use the report to get the City's Engineers, the Corp and hopefully FEMA to come together to discuss where the City goes from here.

Issues:

Sewer Rates. Will have for discussion at the November 8 meeting.

ETI Building. Met with representatives from the Department of Commerce, the City's realtor Ken Attebery, and a prospective tenant. Came to verbal terms on a contract for a three-year lease with a purchase option at the end of the three years. The lease payments would go to KDOC for the three years.

Website. The update process has begun. There is a "Go-Live" date of February 22.

Accounting Position. Tammy Seamands has been hired and will begin November 1

EXECUTIVE SESSION – PERSONNEL MATTER OF NONELECTED PERSONNEL. Motion made by Maichel, seconded by Hampson to recess into executive session for personnel matters of nonelected personnel, to include the City Attorney Wetzler; and that the Council will resume the open meeting in this room at 9:01 p.m. The Mayor reconvened the meeting at 9:01 p.m. No action was taken.

Motion made by Hunter, seconded by Dickinson to adjourn. Yeas: All.

Ann Elmquist, City Clerk

Record of Ordinances

ORDINANCE NO. 12-19

DATE WARRANTS ISSUED:
October 31, 2012

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AN ORDINANCE MAKING APPROPRIATION FOR THE PAYMENT OF CERTAIN CLAIMS.

Be it ordained by the Governing Body of the City of Osawatomie, Kansas

Section 1. That in order to pay the claims hereinafter stated which have been properly audited and approved, there is hereby appropriated out of the respective funds in the city treasury the sum required for each claim.

CLAIMANT	NATURE OF CLAIM OR SERVICE	CLAIM NUMBER	AMOUNT
Payroll 10/05/12			85,079.49
Payroll 10/19/12			97,367.42
FICA 10/05/12			6,158.26
FICA 10/19/12			7,102.97
KPERS			13,622.59
KMEA - Nearman	electricity	1295	36,785.76
Joe Watt Police Cars	Dodge Police Car	40410	13,200.00
Suddenlink	Internet	40411	119.90
Donna & Viola's Shirts	Rec Shirts	40412	760.00
City of Osawatomie	Petty Cash Reimbursement	1296	3,762.80
Crawford Sales	Budweiser	40496	123.60
Midwest Distributors	Miller	40497	116.40
Ace Pest Control, LLC	Pest Control	40498	475.00
City of Osawatomie	Utilities	40499	12,542.39
The Fixture Gallery	Codes Class	40500	80.00
Home Depot Credit Services	Paint, Supplies	40501	132.34
Kansas City Wilbert	Grave Opening	40502	450.00
KMEA-GRDA	Electricity	1297	74,239.25
KMEA-HYDRO	Hydroelectric	1297	2,570.09
S & R Enterprise	Mowing Weed Lots	40503	340.00
Star Printing	Envelopes	40504	185.00
Suddenlink	Internet	40505	134.19
Wendt's Construction	Installed Door, Roof Repairs	40506	1,140.00
YMCA of Greater Kansas City	Used Pool	40507	10,086.00
Beachner Grain	Fertilizer, Dog Food	40508	328.75
Dish	Service	40509	88.50
EMG	Energy Consulting	40510	1,213.14
KS Employment Security Fund	Unemployment	40511	912.91
Kansas Gas Service	Power Plant	40512	27.50
L & K Services, Inc.	Refuse, Yard Waste Removal	40513	30,892.82
Jake Allen	Official for Football	40514	96.00
Sheldon Booe	Official for Football	40515	226.00
Austin Chisam	Official for Football	40516	86.00
Austin Harper	Official for Football	40517	166.00
Cole Rayle	Official for Football	40518	96.00
John Rayle	Official for Football	40519	70.00
Morgan Roth	Official for Football	40520	96.00
Morgan Soucie	Official for Football/Soccer	40521	226.00
Wade Welch	Official for Football	40522	50.00
Don Cawby	Lodging, Mileage	40523	726.34

Record of Ordinances

DATE WARRANTS ISSUED:
October 31, 2012

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CLAIMANT	NATURE OF CLAIM OR SERVICE	CLAIM NUMBER	AMOUNT
GO	149,669.17		
WTR	17,910.13		
EL	226,518.07		
Emp Ber	49,925.28		
Refuse	30,892.82		
RF	1,150.54		
IND	34.72		
SP & R	10,963.96		
ST Imp	1,164.01		
B & I	192,250.00		
Sewer	9,604.30		
Golf Cou	13,271.07		
Trsm	346.26		
Cap Go	13,200.00		
	716,900.33		

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ORDINANCE NO. 12-20

DATE WARRANTS ISSUED:
November 8, 2012

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AN ORDINANCE MAKING APPROPRIATION FOR THE PAYMENT OF CERTAIN CLAIMS.

Be it ordained by the Governing Body of the City of Osawatomie, Kansas

Section 1. That in order to pay the claims hereinafter stated which have been properly audited and approved, there is hereby appropriated out of the respective funds in the city treasury the sum required for each claim.

CLAIMANT	NATURE OF CLAIM OR SERVICE	CLAIM NUMBER	AMOUNT
Atco International	Gloves	40557	61.38
Baker & Taylor	Books	40558	823.76
Bollings Bargain Bonanza	Paper, Supplies	40559	107.50
Bowes Automotive	Filters and Clamps	40560	165.00
Brenntag Mid-South, Inc.	Alum, Water Testing Chemicals	40561	20,480.47
Brewer's Automotive Repair	Alignment	40562	382.73
BSN Sports	Basket & Football Equipment	40563	983.21
C & G Merchants Supply, Inc.	Paper Goods, Chips	40564	168.91
California Contractors Supplies, Inc.	Receptacles, Duct Tape	40565	507.81
Coleman Equipment, Inc.	Collar, Gauge Shaft	40566	24.40
Comm-Tronix	Radio	40567	309.20
Custom Cage, Inc.	Cage for New Police Car	40568	390.00
Demco	Jacket Covers	40569	201.18
Design Printing	Work Order Forms	40570	157.17
Design Mechanical, Inc.	Checked & Started Boilers	40571	616.00
Electric Shop	Hold Lug	40572	3.50
Family Center	Rope, Hose, Supplies	40573	556.21
Firehouse Software	Support contract Renewal	40574	625.00
Richard M. Fisher Jr, LLC	Court Appointed Attorney	40575	700.00
Galls	Gloves	40576	34.82
Gerken Rental	Portable Restroom	40577	100.00
Grainger	Pressure Gauge	40578	170.06
Graybar	Wire, Supplies	40579	2,266.76
H & H Administrators	Administrative Fees	40580	390.00
Hach Company	Water Testing Chemicals	40581	839.42
Priscilla Howe	Books	40582	24.00
ICC	Tab Sets	40583	26.00
John Deere Landscapes	Grass Seed	40584	4,060.00
KA-Comm, Inc.	Hook Kit Charger	40585	41.62
KS Dept. of Health & Environment	Analytical Services	40586	679.00
Kansas Municipal Utilities	4th Quarter Dues	40587	2,192.00
KC Golf Cart Company, LLC	Golf Cart Rental	40588	1,800.00
KelCon Technologies, Inc.	Troubleshooting	40589	427.50
Killough Construction, Inc.	Asphalt	40590	1,325.15
Kincaid Ready Mix	Concrete	40591	509.00
Kriz Davis Co.	Wire, Supplies	40592	741.98
The Law Office of Bryan Meyer	Court Appointed Fee	40593	225.00
League of Kansas Municipalities	Conference Registration, awards	40594	1,061.47
Martin, Pringle, Oliver, Wallace & Bauer	City Attorney	40595	4,457.80
Miami County, KS	Visitors Association Cost Share	40596	250.00
Miami Lumber, Inc.	Paint, Concrete Mix	40597	88.69
Midwest Industrial Lighting	Rough Bulbs	40598	268.72

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November 8, 2012

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CLAIMANT	NATURE OF CLAIM OR SERVICE	CLAIM NUMBER	AMOUNT
GO			17,820.77
WT			25,166.17
EL			7,649.47
Ind			16.50
SP&R			1,505.67
ST Imp			4,117.58
Sewer			1,768.08
GC			7,385.06
Tour			475.00
#125			390.00
			66,294.30



STAFF AGENDA MEMORANDUM

DATE OF MEETING: November 8, 2012

AGENDA ITEM: 2012 Budget Amendment

PRESENTER: Don Cawby, City Manager

ISSUE SUMMARY: Each year at this time, the City must review its expenditures to make sure it is going to remain within its budget and to determine what, if any, adjustments must be made to leave adequate balances in funds. While the goals should always be to remain within the allotted budget, as published 16 months earlier, it is reasonable to assume that issues arise from the time of budget formation to the final execution of the operating year.

The process of changing expenditure limitations is a Budget Amendment, a process which is established in statute. Also, any fund which has increases transfers to another fund must be included in the amendment. The City must publish the proposed changes and then hold a hearing no earlier than 10 days after the publication. Because of our meeting schedule, if we do not set a hearing date at this meeting, we will be forced to have a hearing after our first meeting in December.

For 2012, I have included several summary spreadsheets which provide the estimated status of all the funds and will highlight the budget amendments I am recommending for the current year. In this memo, I will outline the status of the major funds and the issues in each of the funds requiring a budget amendment or transfer to balance out the City's finances by December 31. I have also included the Golf Course Fund that doesn't require a budget amendment, but may require an additional unbudgeted transfer.

An official copy the budget hearing publication will be available at the Council meeting.

General Operating Fund. No Budget Amendment Necessary. At this time last year, I had estimated that the original 2012 budget was about \$175,000 over estimated. The major area of concern was franchise fees, which I estimated to be a little over \$100,000 high. Also property tax was about \$30,000 high, and sales taxes about \$25,000 high. We made the revenue

reductions, made some changes to transfer calculations, and then made the necessary corresponding expenditure reductions to get to a budget that was about \$150,000 lower in both categories and left an ending balance around \$40,000.

Based on the current estimate, those changes last year still appear to be on target and expenses possibly lower than the expected when the 2013 budget was prepared.

Water Fund. No Budget Amendment Necessary. Expenditures for 2012 are estimated to be around \$70,000 under the original budget. The savings appear to be from a vacant position for about one-half the year, better than expected chemical costs, debt savings and no major breakdowns (knock on wood!). We may go ahead and replace leaking chlorine tank this year if the budget holds up. My biggest concern at the beginning of the year was water sales, but we seem to right on target for regular sales and bulk sales are up 25% (about \$4,000).

Electric Fund. No Budget Amendment Necessary (at this time). Expenditures for 2012 appear to be running about \$52,000 below the original budgeted amount and revenues appear to be around \$100,000 higher than expected. Included in 2012 revenues is a repayment of the self-funded street project loan amount of \$452,000.

The only surprise here may be the need for a small transfer to the Golf Course Fund or the possibility of unexpected emergencies in the next 9 weeks.

Sewer Fund. No Budget Amendment Necessary. Expenditures are about \$45,000 below the original budget. The majority of this savings is from salaries because of a vacancy and not spending about \$30,000 set aside to help in case of an emergency breakdown at the sewer plant (again, knock on wood!). Revenues are about \$24,000 below the original budget, but only \$15,000 below the last revised budget.

Employee Benefit Fund. Expenditures are estimated to be approximately \$83,000 over budget for several reasons. First, the fund was originally underfunded by approximately \$40,000. Second, with the change to the Health Reimbursement Account (HRA) model, we began running all health care expenses through the fund beginning in July 2012. Third, in the plan design, the savings in premiums are transferred to the HRA account to cover the City's portion of the deductible. Finally, because reimbursement requests are not predictable, I am recommending increasing the transfer to the HRA by an additional \$20,000 for 2012 to cover any unanticipated claims. This increase should reduce the amount of transfer for 2013.

Rural Fire Fund. The Rural Fire Fund needs to be increased by \$7,000 for 2012. This is a "pass through" fund which pays for fire expenses and then is reimbursed by the Rural Fire District.

This fund was listed as a non-budgeted in 2013 because it is a pass through fund, so we shouldn't need to amend it in the future.

Special Parks and Recreation Fund. The Special Parks and Recreation Fund is over the original budget by \$250,000, but this is because we moved funding for the sports complex, lakes and parks, and recreation all under this fund when we took over the Recreation Commission at the beginning of the year.

Bond and Interest Fund. We need to increase the expenditure limit for the fund by approximately \$20,000. The original budget included an estimate for paying the new debt from the Brown & Pacific project. However, it could not anticipate the refinancing of sewer and water revolving loan funds into lower cost bond payments that must now flow through this fund.

Tourism Fund. Expenditures are estimated to be approximately \$30,000 over the original budget. This increase is caused by the tourism fund being used to finance the operations of the John Brown Jamboree for 2012. The Jamboree created about \$39,000 in revenue and \$35,000 in expenditures that weren't anticipated when the budget was originally created.

Recreation Employees Benefits Fund. This fund is now essentially a pass through fund with the elimination of the Recreation Commission. Tax funds are collected and transferred to the Employee Benefits Fund. It is estimated that the fund will exceed its original budget by a few hundred dollars. I am recommending an increase of approximately \$1,000 to cover contingencies.

Golf Course Fund. I estimate that the Golf Course is going to be about \$4,300 under the revised approved budget for 2012, but revenues may be anywhere from \$10,000 to \$15,000 short, leaving a cash shortfall of approximately \$10,000. I have a couple of alternatives for dealing with this shortfall. First, we should authorize in this budget amendment an additional transfer of \$10,000 for 2012 (bringing the total transfer to \$55,000 for the year). I don't have to make the full transfer if it is not needed. I also have the option of charging some of unexpected costs that occurred this year, such as the reseeding and the repairs to the greens mower to the CIP Fund, which will have available cash balances. I think we should consider both courses of action.

COUNCIL ACTION NEEDED: Set public hearing date for the budget amendment.

STAFF RECOMMENDATION TO COUNCIL: Set for December 13, 2012 for hearing, to be part of a special meeting to occur on that date.

**Revenue Changes
2012**

No.	Fund	Original Revenues	Rev. Budget Revenues	Change	Final Est. Revenues	Change from Original	Change from Revised
1	General Operating Fund	\$ 2,304,087.00	\$ 2,183,601.16	\$ (120,485.84)	\$ 2,180,075.21	\$ (124,011.79)	\$ (3,525.95)
2	Water Fund	808,500.00	810,951.24	2,451.24	827,492.81	18,992.81	16,541.57
3	Electric Fund	3,701,250.00	4,426,510.55	725,260.55	4,261,369.11	560,119.11	(165,141.44)
4	Employee Benefit Fund	520,881.00	594,711.76	73,830.76	599,192.10	78,311.10	4,480.34
5	Refuse Fund	380,000.00	377,000.00	(3,000.00)	371,554.58	(8,445.42)	(5,445.42)
6	Library Fund	-	16,162.50	16,162.50	17,596.78	17,596.78	1,434.28
7	Recreation Fund	173,534.00	98,006.56	(75,527.44)	100,462.37	(73,071.63)	2,455.81
8	Rural Fire Fund	35,000.00	38,255.00	3,255.00	35,620.37	620.37	(2,634.63)
9	Industrial Fund	16,000.00	16,000.00	-	21,801.89	5,801.89	5,801.89
10	Revolving Loan Fund	500.00	500.00	-	43.90	(456.10)	(456.10)
11	Special Parks and Recreation Fund	5,458.00	294,020.43	288,562.43	302,293.12	296,835.12	8,272.69
12	Street Improvements Fund	127,550.00	185,746.16	58,196.16	180,862.15	53,312.15	(4,884.01)
13	Bond & Interest Fund	476,283.00	598,410.54	122,127.54	596,210.18	119,927.18	(2,200.36)
14	Public Safety Equipment Fund	-	-	-	69.21	69.21	69.21
15	Insurance Proceeds Fund	15,500.00	15,500.00	-	-	(15,500.00)	(15,500.00)
16	Sewer Fund	781,000.00	772,264.81	(8,735.19)	756,504.28	(24,495.72)	(15,760.53)
17	Recreation Employee Benefits Fund	12,629.00	12,238.10	(390.90)	12,814.95	185.95	576.85
18	Golf Course Fund	280,830.00	259,900.00	(20,930.00)	256,689.38	(24,140.62)	(3,210.62)
20	Special Revenue - 911 Fund	-	-	-	-	-	-
22	Tourism Fund	13,650.00	50,460.00	36,810.00	49,516.56	35,866.56	(943.44)
24	Capital Improvements - General	100,000.00	380,000.00	280,000.00	392,164.26	292,164.26	12,164.26
		\$ 9,752,652.00	\$ 11,130,238.82	\$ 1,377,586.82	\$ 10,962,333.21	\$ 1,209,681.21	\$ (167,905.60)

**Expenditure Changes
2012**

No.	Fund	Original Expenditures	Rev. Budget Expenditures	Change	Final Est. Expenditures	Change from Original	Change from Revised
1	General Operating Fund	\$ 2,291,543.00	\$ 2,176,453.78	\$ (115,089.22)	\$ 2,126,675.17	\$ (164,867.83)	\$ (49,778.61)
2	Water Fund	832,025.00	819,915.67	(12,109.33)	762,644.38	(69,380.62)	(57,271.29)
3	Electric Fund	3,765,012.00	4,147,045.69	382,033.69	3,722,991.11	(42,020.89)	(424,054.58)
4	Employee Benefit Fund	521,318.00	568,501.76	47,183.76	603,936.46	82,618.46	35,434.70
5	Refuse Fund	376,700.00	376,700.00	-	372,383.99	(4,316.01)	(4,316.01)
6	Library Fund	109,551.00	-	(109,551.00)	8,612.86	(100,938.14)	8,612.86
7	Recreation Fund	174,829.00	98,720.43	(76,108.57)	101,176.24	(73,652.76)	2,455.81
8	Rural Fire Fund	35,000.00	38,255.00	3,255.00	39,007.49	4,007.49	752.49
9	Industrial Fund	12,000.00	11,500.00	(500.00)	10,420.00	(1,580.00)	(1,080.00)
10	Revolving Loan Fund	-	-	-	-	-	-
11	Special Parks and Recreation Fund	13,674.00	266,822.91	253,148.91	254,316.67	240,642.67	(12,506.24)
12	Street Improvements Fund	120,500.00	111,400.00	(9,100.00)	113,486.62	(7,013.38)	2,086.62
13	Bond & Interest Fund	544,658.00	560,510.83	15,852.83	560,510.83	15,852.83	-
14	Public Safety Equipment Fund	9,520.00	9,771.80	251.80	-	(9,520.00)	(9,771.80)
15	Insurance Proceeds Fund	15,500.00	15,500.00	-	-	(15,500.00)	(15,500.00)
16	Sewer Fund	837,988.00	844,305.27	6,317.27	792,602.47	(45,385.53)	(51,702.80)
17	Recreation Employee Benefits Fund	12,629.00	12,238.10	(390.90)	12,814.95	185.95	576.85
18	Golf Course Fund	282,892.00	251,159.38	(31,732.62)	246,843.56	(36,048.44)	(4,315.82)
20	Special Revenue - 911 Fund	9,897.00	-	(9,897.00)	-	(9,897.00)	-
22	Tourism Fund	17,750.00	46,250.00	28,500.00	46,750.69	29,000.69	500.69
24	Capital Improvements - General	100,000.00	388,500.00	288,500.00	343,503.83	243,503.83	(44,996.17)
		\$ 10,082,986.00	\$ 10,743,550.62	\$ 660,564.62	\$ 10,118,677.32	\$ 35,691.32	\$ (624,873.30)

**Projected Balances
2012**

No.	Fund	Beginning Balance	Orig. Eff. Balance	Rev. Ending Balance	Final Est. Balance
1	General Operating Fund	\$ 30,824.04	\$ 43,368.04	\$ 37,971.42	\$ 84,224.08
2	Water Fund	43,575.36	20,050.36	34,610.93	108,423.79
3	Electric Fund	216,890.62	153,128.62	496,355.48	755,268.62
4	Employee Benefit Fund	28,831.77	28,394.77	55,041.77	24,087.41
5	Refuse Fund	4,725.30	8,025.30	5,025.30	3,895.89
6	Library Fund	91,625.55	(17,925.45)	107,788.05	100,609.47
7	Recreation Fund	713.87	(581.13)	-	-
8	Rural Fire Fund	3,387.12	3,387.12	3,387.12	-
9	Industrial Fund	48,169.46	52,169.46	52,669.46	59,551.35
10	Revolving Loan Fund	72,670.62	73,170.62	73,170.62	72,714.52
11	Special Parks and Recreation Fund	12,692.43	4,476.43	39,889.95	60,668.88
12	Street Improvements Fund	4,662.26	11,712.26	79,008.42	72,037.79
13	Bond & Interest Fund	61,001.68	(7,373.32)	98,901.39	96,701.03
14	Public Safety Equipment Fund	9,771.80	251.80	-	9,841.01
15	Insurance Proceeds Fund	0.84	0.84	0.84	0.84
16	Sewer Fund	361,440.35	304,452.35	289,399.89	325,342.16
17	Recreation Employee Benefits Fund	-	-	-	-
18	Golf Course Fund	(32.69)	(2,094.69)	8,707.93	9,813.13
20	Special Revenue - 911 Fund	9,897.41	0.41	9,897.41	9,897.41
22	Tourism Fund	3,722.53	(377.47)	7,932.53	6,488.40
24	Capital Improvements - General	3,790.29	3,790.29	(4,709.71)	52,450.72
		\$ 1,008,360.61	\$ 678,026.61	\$ 1,395,048.81	\$ 1,852,016.50

**Budget Amendment Estimate - All Funds
2012**

<u>No.</u>	<u>Fund</u>	<u>Orig. Budgeted Expenditures</u>	<u>Rev. Budget Expenditures</u>	<u>Final Est. Expenditures</u>	<u>Final Est. from Original</u>	<u>Recommended Budget Amend.</u>	<u>Change from Original</u>
1	General Operating Fund	\$ 2,291,543.00	\$ 2,176,453.78	\$ 2,126,675.17	\$ (164,867.83)	\$ -	\$ -
2	Water Fund	832,025.00	819,915.67	762,644.38	(69,380.62)		
3	Electric Fund	3,765,012.00	4,147,045.69	3,722,991.11	(42,020.89)		
4	Employee Benefit Fund	521,318.00	568,501.76	603,936.46	82,618.46	610,000.00	88,682.00
5	Refuse Fund	376,700.00	376,700.00	372,383.99	(4,316.01)		
6	Library Fund	109,551.00	-	8,612.86	(100,938.14)		
7	Recreation Fund	174,829.00	98,720.43	101,176.24	(73,652.76)		
8	Rural Fire Fund	35,000.00	38,255.00	39,007.49	4,007.49	42,000.00	7,000.00
9	Industrial Fund	12,000.00	11,500.00	10,420.00	(1,580.00)		
10	Revolving Loan Fund	0.00	-	-	0.00		
11	Special Parks and Recreation Fund	13,674.00	266,822.91	254,316.67	240,642.67	265,000.00	251,326.00
12	Street Improvements Fund	120,500.00	111,400.00	113,486.62	(7,013.38)		
13	Bond & Interest Fund	544,658.00	560,510.83	560,510.83	15,852.83	565,000.00	20,342.00
14	Public Safety Equipment Fund	9,520.00	9,771.80	-	(9,520.00)		
15	Insurance Proceeds Fund	15,500.00	15,500.00	-	(15,500.00)		
16	Sewer Fund	837,988.00	844,305.27	792,602.47	(45,385.53)		
17	Recreation Employee Benefits Fund	12,629.00	12,238.10	12,814.95	185.95	13,500.00	871.00
18	Golf Course Fund	282,892.00	251,159.38	246,843.56	(36,048.44)		
20	Special Revenue - 911 Fund	9,897.00	-	-	(9,897.00)		
22	Tourism Fund	17,750.00	46,250.00	46,750.69	29,000.69	48,000.00	30,250.00
24	Capital Improvements - General	100,000.00	388,500.00	343,503.83	243,503.83		
		\$ 10,082,986.00	\$ 10,743,550.62	\$ 10,118,677.32	\$ 35,691.32		

Original Transfers vs. Final Estimated Transfers

2012

ORIGINAL BUDGETED		FROM							TOTAL
		Water	Electric	Emp. Ben	Recreation	Sewer	Rec EBF	CIP-Streets	
TO	General Operating Fund	77,400	363,800			77,900			519,100
	Special Parks & Recreation		100,000						100,000
	Bond & Interest Fund					200,000			200,000
	Golf Course Fund		45,000						45,000
	TOTAL	77,400	508,800	-	-	277,900	-	-	864,100

FINAL ESTIMATE		FROM							TOTAL
		Water	Electric	Emp. Ben	Recreation	Sewer	Rec EBF	CIP-Streets	
TO	General Operating Fund	38,000	186,000			39,000			263,000
	General Operating Fund (Overhead)	77,400	202,200			77,400			357,000
	Electric Fund							452,132	452,132
	Employee Benefit Fund	10,478	70,268			6,837	13,500		101,083
	Special Parks & Recreation		90,000		105,000				195,000
	Street Improvement Fund		-					77,950	77,950
	Bond & Interest Fund	27,235				310,000		5,000	342,235
	Golf Course Fund		55,000						55,000
	Tourism		12,000						12,000
	Capital Improvements - General		380,000					12,164	392,164
	Cafeteria 125/HRA	-		47,488					47,488
	TOTAL	153,113	995,468	47,488	105,000	433,237	13,500	547,246	2,295,052

**Notice of Budget Hearing for Amending the
2012 Budget**

The governing body of

City of Osawatomie

will meet on the day of December 13, 2012 at 7:00 p.m. at Memorial Hall for the purpose of hearing and answering objections of taxpayers relating to the proposed amended use of funds.

Detailed budget information is available at City Hall
and will be available at this hearing.

Summary of Amendments

Fund	2012 Adopted Budget			2012 Proposed Amended Expenditures
	Actual Tax Rate	Amount of Tax that was Levied	Expenditures	
Employee Benefit Fund	19.923	458,346	521,318	610,000
Bond & Interest Fund	10.945	251,791	544,658	565,000
Special Parks & Rec Fund			13,674	265,000
Tourism Fund			17,750	48,000
Rec. Employee Benefit Fund	0.501	11,515	12,629	13,500
Rural Fire Fund			35,000	42,000

Ann Elmquist
Official Title: City Clerk



STAFF AGENDA MEMORANDUM

DATE OF MEETING: November 8, 2012

AGENDA ITEM: Proposed Sewer Rate Changes

PRESENTER: Don Cawby, City Manager

ISSUE SUMMARY: The Sewer Fund is currently losing from \$20,000 to \$65,000 per year in operating expenses. While the capital charge portion of the rate is sufficient to handle the current and anticipated debt service, the user charge and usage rate are both not meeting the current expenses.

To determine what is needed for this and future years, I used several models and scenarios based on the information and data I had available. Also, as I did with water rates earlier this year, I compared the rates of surrounding communities similar to us and generally in the same size range.

In the first attached table (Item 1), I have provided comparisons of these peer cities and their current rates. I have also provided our current rates and those that I am recommending. The major thing that stands out in this comparison is that while most of these cities are generally in the same ballpark of us on the bills for residential sewer, Paola and us are much lower on the usage rate, which is an advantage to businesses and institutions. For this comparison, I put in a comparison of bills at 30,000 gallons to help show the impact that it has.

I continue to hear how high our sewer rates are, but based upon this comparison, I think we are very reasonable. Compared to smaller cities with lagoons, or those that haven't yet had to make upgrades for EPA regulations, we are probably higher. But that obviously isn't a fair comparison.

I am also recommending the council consider a three step rate increase to take effect in two-year increments. The second attached sheet (Item 2) shows how the rates would step up over time. The effect would be to plan for the hit on our budget that will decreased beginning in 2019. Once we get over that hump and get back to healthy balances (or setting aside funding for line improvements), then we may be able to reduce sewer rates. I have demonstrated the effect of these steps in the third attached sheet (Item 3) and highlighted the revenue bumps over this time period.

Also, as I have done in the past, on Item 4 I have given some examples of bills for the different types of customers. These rates are based on 2012 sewer bills. Since the goal of the 2013 rate increase was to generate enough revenue to generally fund operations until debt payments begin in earnest in 2015.

This will require about a 5.0 to 6.0 percent increase in revenues for 2013 and 2014. The proposed rate structure would result in bills increasing from about 3.5% to 11.0%. The average bill will be somewhere around 6.0% or a little over \$2.0 per month. I might also note that this comes out to less than a 1.0 percent increase per year, which is generally what you might expect to need for a utility fund without built in cost adjustments.

You might have noticed that Osawatomie State Hospital currently generates around 20% of our total revenue for sewer bills and took a major increase in 2006 when the capital charge rate was recalculated. I did some crude calculations based upon FTE and beds at the facility and tried to come up with a capital charge that seemed fair. Surprisingly those numbers can up to just about what they are currently paying. Since we are not increasing the capital charge, OSH will not see a large increase as a percentage, but the annual bill increase will be around \$4,000 because of usage rates.

COUNCIL ACTION NEEDED: Review, discuss and provide direction to staff on increases to include for a December Fee Ordinance.

STAFF RECOMMENDATION TO COUNCIL: Provide direction to staff.

Item 1

Water & Sewer Rate Comparisons

	Gardner	Paola	Spring Hill	Baldwin	Eudora	Current Oz - Res	Current Oz - Com	Proposed Oz - Res	Proposed Oz - Com
Water									
Customer Charge min included	\$ 10.40	\$ 14.00	\$ 8.00	\$ 6.50	\$ 13.21	\$ 13.00	\$ 18.25	No changes	
Charge / 100 gal other tiers	\$ 0.465 40,000/\$.38	\$ 0.500	\$ 0.725	\$ 1.007	\$ 0.507	\$ 0.400 15,000/\$.34 65,000/\$.30	\$ 0.400 15,000/\$.34		
<i>Bill w/ 3,500 gal</i>	\$ 31.33	\$ 36.50	\$ 40.63	\$ 51.80	\$ 36.03	\$ 21.00	\$ 26.25		
<i>Bill w/30,000 gal</i>	\$ 149.90	\$ 164.00	\$ 225.50	\$ 308.51	\$ 165.31	\$ 118.00	\$ 123.25		
Sewer									
Customer Charge min included	\$ 10.20	\$ 22.94	\$ 24.15 2,000	\$ 16.00	\$ 20.93	\$ 24.08	\$ 24.08	\$ 24.75	\$ 24.75
Charge / 100 gal	\$ 0.65	\$ 0.29	\$ 0.78	\$ 0.52	\$ 0.39	\$ 0.24	\$ 0.24	\$ 0.27	\$ 0.27
<i>Bill w/3,500 gal</i>	\$ 32.95	\$ 33.09	\$ 31.28	\$ 34.03	\$ 34.72	\$ 32.48	\$ 32.48	\$ 34.20	\$ 34.20
<i>Bill w/30,000 gal</i>	\$ 205.20	\$ 109.94	\$ 236.65	\$ 170.50	\$ 139.13	\$ 96.08	\$ 96.08	\$ 105.75	\$ 105.75
Combined @ 3,500	\$ 64.28	\$ 69.59	\$ 71.90	\$ 85.83	\$ 70.75	\$ 53.48	\$ 58.73	\$ 55.20	\$ 60.45
Combined @ 30,000	\$ 355.10	\$ 273.94	\$ 462.15	\$ 479.01	\$ 304.44	\$ 214.08	\$ 219.33	\$ 105.75	\$ 105.75

Item 2

Revenue Analysis

	<u>Meters</u>	<u>Usage</u>					
State Hospital	1	1,083,000					
All Other Billed Sewer	1625	5,580,000					
	<u>User Charge</u>	<u>Capital Charge</u>	<u>Base Charge</u>	<u>Usage Charge per 100 gal</u>	<u>Total</u>	<u>% Increased Revenue Over Current</u>	<u>Prev. Inc.</u>
Current							
State Hospital	2.33	8,930.06	8,932.39	0.24			
All Other	2.33	21.75	24.08	0.24			
Generates							
Monthly	3,786.25	44,273.81		15,991.20	64,051.26		
Annually	45,435.00	531,285.72		191,894.40	768,615.12		
2013							
Proposed OSH	3.00	8,930.06	8,933.06	0.27			
Proposed All Other	3.00	21.75	24.75	0.27			
Generates							
Monthly	4,875.00	44,273.81		17,990.10	67,138.91		
Annually	58,500.00	531,285.72		215,881.20	805,666.92		
Increase	13,065.00	-		23,986.80	37,051.80	4.82%	4.82%
2015							
Proposed OSH	3.75	8,930.06	8,933.81	0.29			
Proposed All Other	3.75	21.75	25.50	0.29			
Generates							
Monthly	6,093.75	44,273.81		19,322.70	69,690.26		
Annually	73,125.00	531,285.72		231,872.40	836,283.12		
Increase	27,690.00			39,978.00	67,668.00	8.80%	3.80%
2017							
Proposed OSH	4.50	8,930.06	8,934.56	0.30			
Proposed All Other	4.50	21.75	26.25	0.30			
Generates							
Monthly	7,312.50	44,273.81		19,989.00	71,575.31		
Annually	87,750.00	531,285.72		239,868.00	858,903.72		
Increase	42,315.00			47,973.60	90,288.60	11.75%	2.70%

Item 3

Fund # 16
Sewer

	2009 <u>ACTUAL</u>	2010 <u>ACTUAL</u>	2011 <u>ACTUAL</u>	2012 <u>Revised</u>	2013 <u>Approved</u>	2014 <u>Est</u>	2015 <u>Est</u>	2016 <u>Est</u>	2017 <u>Est</u>	2018 <u>Est</u>	2019 <u>Est</u>	2020 <u>Est</u>	2021 <u>Est</u>
BEGINNING CASH BALANCE	\$ 386,964	\$ 449,525	\$ 428,138	\$ 361,440	\$ 289,400	\$ 279,702	\$ 216,709	\$ 176,866	\$ 129,047	\$ 117,811	\$ 99,640	\$ 72,187	\$ 135,734
REVENUE													
510 Sales/Charges	\$ 778,941	\$ 775,883	\$ 771,765	\$ 771,765	\$ 768,000	\$ 768,000	\$ 768,000	\$ 768,000	\$ 768,000	\$ 768,000	\$ 768,000	\$ 768,000	\$ 768,000
513 New Utility Services	400	700	350	500	500	500	500	500	500	500	500	500	500
Base Charge Increase					13,065	13,065	27,690	27,690	42,315	42,315	42,315	42,315	42,315
Usage Rate Increase					23,987	23,987	39,978	39,978	47,974	47,974	47,974	47,974	47,974
802 Reimbursed Expense	3,060	339											
TOTAL REVENUE	\$ 782,401	\$ 776,922	\$ 772,115	\$ 772,265	\$ 805,552	\$ 805,552	\$ 836,168	\$ 836,168	\$ 858,789	\$ 858,789	\$ 858,789	\$ 858,789	\$ 858,789
TOTAL RESOURCES AVAILABLE	\$ 1,169,365	\$ 1,226,447	\$ 1,200,253	\$ 1,133,705	\$ 1,094,952	\$ 1,085,254	\$ 1,052,877	\$ 1,013,034	\$ 987,836	\$ 976,600	\$ 958,429	\$ 930,976	\$ 994,523
EXPENSES													
By Object													
Salaries & Wages	\$ 98,950	\$ 123,915	\$ 114,949	\$ 113,949	\$ 112,449	\$ 116,571	\$ 120,841	\$ 125,303	\$ 129,967	\$ 134,846	\$ 139,951	\$ 145,296	\$ 150,894
Utilities	25,852	40,380	35,475	35,000	35,000	35,000	35,000	35,700	36,414	37,142	37,885	38,643	39,416
Professional Services	23,681	33,248	11,752	30,000	30,000	27,500	27,500	28,000	28,500	28,500	28,500	28,500	28,500
Chemicals	17,548	9,477	9,566	18,000	18,000	18,000	12,500	13,125	13,781	14,470	15,194	15,954	16,751
Parts & Supplies	32,503	24,954	25,489	27,500	27,500	30,250	31,138	32,054	33,000	33,977	34,986	36,028	37,104
Capital Outlay	17,213	8,625	88,161	50,000	25,000	35,000	30,000	30,000	45,000	45,000	45,000	45,000	45,000
Current Debt Service	450,714	450,714	450,713	435,357	434,000	435,000	435,000	435,000	339,000	338,000	338,000	194,000	193,000
New Sewer Loan		-	-	-	-	33,229	42,001	42,001	99,768	99,623	100,498	144,749	144,474
Transfer to General Fund	39,500	84,500	77,900	39,000	38,000	40,000	42,000	42,000	43,000	43,000	43,000	43,000	43,000
Administrative Fee	-	-	-	62,400	62,200	63,755	65,349	66,983	68,657	70,374	72,133	73,936	75,785
Mechanic/Repair Fee	-	-	-	15,000	15,000	15,000	15,000	15,000	15,000	15,000	15,000	15,000	15,000
All Other Expenses	13,879	20,849	24,808	18,100	18,100	19,240	19,683	18,821	17,937	17,028	16,095	15,137	14,153
TOTAL EXPENSES	\$ 719,840	\$ 796,662	\$ 838,813	\$ 844,305	\$ 815,249	\$ 868,545	\$ 876,012	\$ 883,987	\$ 870,025	\$ 876,960	\$ 886,242	\$ 795,242	\$ 803,077
Revenues Over Expenditures	\$ 62,561	\$ (19,740)	\$ (66,698)	\$ (72,040)	\$ (9,697)	\$ (62,993)	\$ (39,844)	\$ (47,819)	\$ (11,236)	\$ (18,171)	\$ (27,453)	\$ 63,547	\$ 55,712
ENDING BALANCE	\$ 449,525	\$ 429,785	\$ 361,440	\$ 289,400	\$ 279,702	\$ 216,709	\$ 176,866	\$ 129,047	\$ 117,811	\$ 99,640	\$ 72,187	\$ 135,734	\$ 191,446
<i>as a percentage of expenses</i>	62.4%	53.9%	43.1%	34.3%	34.3%	25.0%	20.2%	14.6%	13.5%	11.4%	8.1%	17.1%	23.8%

Item 4

Monthly Bill Impact of Rate Increase

2013 Increase	<u>Usage</u>	<u>New Charge</u>	<u>Current Charge</u>	From Current	
				<u>\$ change</u>	<u>% change</u>
Residential 1	800	26.91	26.00	0.91	3.50%
Residential 2	2,400	31.23	29.84	1.39	4.66%
Residential 3	4,800	37.71	35.60	2.11	5.93%
Residential 4	5,950	40.82	38.36	2.46	6.40%
Retail	1,450	28.67	27.56	1.11	4.01%
Medical	18,650	75.11	68.84	6.27	9.10%
Food Service	22,800	86.31	78.80	7.51	9.53%
Food Service	28,800	102.51	93.20	9.31	9.99%
Residential Care	136,800	394.11	352.40	41.71	11.84%
High School	50,800	161.91	146.00	15.91	10.90%
State Hospital	1,091,000	11,878.76	11,550.79	327.97	2.84%

2015 Increase	<u>Usage</u>	<u>New Charge</u>	From Current		From Previous	
			<u>\$ change</u>	<u>% change</u>	<u>\$ change</u>	<u>% change</u>
Residential 1	800	27.82	1.82	7.00%	0.91	3.38%
Residential 2	2,400	32.46	2.62	8.78%	1.23	3.94%
Residential 3	4,800	39.42	3.82	10.73%	1.71	4.53%
Residential 4	5,950	42.76	4.40	11.46%	1.94	4.75%
Retail	1,450	29.71	2.15	7.78%	1.04	3.63%
Medical	18,650	79.59	10.75	15.61%	4.48	5.96%
Food Service	22,800	91.62	12.82	16.27%	5.31	6.15%
Food Service	28,800	109.02	15.82	16.97%	6.51	6.35%
Residential Care	136,800	422.22	69.82	19.81%	28.11	7.13%
High School	50,800	172.82	26.82	18.37%	10.91	6.74%
State Hospital	1,091,000	12,097.71	546.92	4.73%	218.95	1.84%

2017 Increase	<u>Usage</u>	<u>New Charge</u>	From Current		From Previous	
			<u>\$ change</u>	<u>% change</u>	<u>\$ change</u>	<u>% change</u>
Residential 1	800	28.65	2.65	10.19%	0.83	2.98%
Residential 2	2,400	33.45	3.61	12.10%	0.99	3.05%
Residential 3	4,800	40.65	5.05	14.19%	1.23	3.12%
Residential 4	5,950	44.10	5.74	14.96%	1.35	3.15%
Retail	1,450	30.60	3.04	11.03%	0.90	3.01%
Medical	18,650	82.20	13.36	19.41%	2.61	3.29%
Food Service	22,800	94.65	15.85	20.11%	3.03	3.31%
Food Service	28,800	112.65	19.45	20.87%	3.63	3.33%
Residential Care	136,800	436.65	84.25	23.91%	14.43	3.42%
High School	50,800	178.65	32.65	22.36%	5.83	3.37%
State Hospital	1,091,000	12,207.56	656.77	5.69%	109.85	0.91%



STAFF AGENDA MEMORANDUM

DATE OF MEETING: November 8, 2012

AGENDA ITEM: **Building Lease**

PRESENTER: Don Cawby, City Manager

ISSUE SUMMARY: JCI Oil, a company located just across the road from the ETI Building, has submitted a proposal to the City and the Department of Commerce to lease the building, with a purchase option after 3 years.

Generally the agreement would be:

1. JCI would pay \$1,000 per month rent (which will end up with the state).
2. JCI would be responsible for the payment of the taxes on the building.
3. JCI would be responsible for utilities and routine maintenance of the property.
4. Osawatomie would be responsible for continuing to insure the property.
5. After 3 years, JCI could purchase the building for \$150,000, but all rent payments could be applied to the purchase price, bringing the total to \$114,000.

The Department of Commerce and the City have been involved in this negotiation and we all believe this is a good deal for all involved.

COUNCIL ACTION NEEDED: Review and vote on authorization.

STAFF RECOMMENDATION TO COUNCIL: Authorize the Mayor to sign the Lease on behalf of the City, subject to any technical amendments which would have to be approved by the City Attorney.

LEASE AGREEMENT

The City of Osawatomie (hereafter referred to as “Lessor” or “Landlord”) owns real property located at 35790 Plum Creek Road, Osawatomie, Kansas 66064. For lease payments and other consideration, the Lessor agrees to lease the above mentioned property to JTC Oil, Inc. (hereafter referred to as “Lessee”).

1. **TERM.** To have and hold the above stated location for a period of one year beginning on November 1, 2012 and ending on October 31, 2013, with the lessee having the option to renew for two additional one-year periods.
2. **PAYMENTS.** Lessee agrees to pay Lessor monthly rent payments of \$1,000.00, beginning on the 1st day of November, 2012, and on the 1st day of each month thereafter until the lease is terminated. Rent for the first month will be prorated based on the number of days that the Lessee occupies the premises in the month of November, 2012.
3. **USE OF PREMISES.** Lessee shall have the use of the premises for the term of this Lease for the purpose of office, warehousing, and light industrial use and for no other purpose. Lessee agrees not to use or permit the use of the Premises for any purpose which is illegal, or which violates authorized uses under the current zoning of the property. Lessee agrees to comply with all applicable laws, ordinances, rules, and regulations of the City of Osawatomie and State of Kansas. Specifically, Lessee shall use the building for no purpose which would constitute and environmental hazard under the Laws of the State of Kansas or the United State of America
4. **UTILITIES.** Water, gas, air-conditioning, electricity, and heat will be furnished and paid for by Lessee.
5. **REPAIR OF PREMISES.** Repairs of damage caused by Lessee shall be paid for by Lessee. Any decorations or remodeling shall be at the discretion and subject to the prior written approval of Lessor.
6. **ADDITIONAL SERVICES.** Lessee will also furnish and pay for routine maintenance of the grounds and building, except to the extent that damages or loss are covered by the insurance on the building as maintained by the Lessor.
7. **UNTENANTABLE PREMISES.** If the leased premises shall be damaged so as to be untenable, the rental payments shall abate from the date of such damage and shall not resume until the premises are restored to tenantable condition or until Lessor can provide alternate acceptable space to Lessee. Any prepaid payments shall be returned to Lessee for the period the premises are untenable.

8. **AUTOMATIC TERMINATION.** This Lease Agreement, if not previously terminated, shall automatically expire at the end of the term specified.
9. **AGREEMENT WITH KANSAS LAW.** This Lease Agreement shall be subject to, governed by, and construed according to the laws of the State of Kansas.
10. **BINDING EFFECT.** The terms and conditions of this Lease Agreement shall be binding upon the parties, their agents, administrators, or legal successors.
11. **RESPONSIBILITY FOR TAXES.** Lessor shall not be responsible for nor indemnify Lessee for any taxes, fees, or assessments which may be imposed or levied upon the subject matter of this Lease Agreement. It shall be the responsibility of the Lessee to pay all such taxes, fees, and assessments. If any taxes for which Lessee is liable under this Paragraph are levied against Landlord or Landlord's property and if Landlord elects to pay the same or if the assessed value of Landlord's property is increased by inclusion of personal property and trade fixtures placed by Lessee in the Premises and Landlord elects to pay the taxes based on such increase, Lessee shall pay to Landlord upon demand that part of such taxes for which Lessee is primarily liable hereunder.
12. **LIABILITY FOR DAMAGES.** Lessee agrees to hold harmless and indemnify Lessor from any and all claims that are brought or maintained by third parties against Lessor by reason of the acts or omissions of the Lessee.
13. **TERMINATION PRIOR TO EXPIRATION OF TERM** – Notwithstanding the length of the term of this lease agreement, Lessor may terminate this lease prior to the expiration of the term of the lease upon the lessee's failure to make lease payments, the lessee's use of the building for criminal activities, or significant damage to the property caused by the lessee's action. In this event, the Lessor will provide a 30 day written notice to:

LESSEE NAME	JTC Oil, Inc.
	PO Box 24386
City, State, Zip Code	Stanley, KS 66283
14. **PURCHASE OPTION.** The Lessee shall have the exclusive first option to purchase this property at the end of the three year term for One Hundred Fifty Thousand dollars (\$150,000.00). If Lessee desires to avail itself of this option, all lease payments made throughout the term of the lease, including renewal periods, shall be applied to the purchase price.
15. **MODIFICATION.** Lessor reserves the right to modify this Lease Agreement upon written notice to and subsequent written consent by Lessee. Modifications are subject to the same approvals and conditions as required for approval of this Lease Agreement.
16. **CONTRABAND.** Possession of illegal drugs or of firearms, alcoholic beverages, or other contraband on the premises is prohibited.

17. **ENTRY BY LANDLORD.** Lessee agrees to permit Landlord or its agents or representatives to enter into and upon any part of the Premises at reasonable hours (and in emergencies at all times) to inspect the same, or to show the Premises to insurers. Lessor shall give written notice to lessee at least five business days in advance of any entry upon the premises by lessor.
18. **ASSIGNMENT AND SUBLETTING.** Lessee shall not voluntarily, involuntarily, or by operation of law, assign this Lease in whole or in part, nor sublet all or any part of the leased premises without the prior written consent of Lessor in each instance, which consent shall not be unreasonably withheld, conditioned or delayed. The consent by Lessor to any assignment or subletting shall not constitute a waiver of the necessity for such consent in any subsequent assignment or subletting. The foregoing shall be construed to include a prohibition against any assignment or subletting by operation of law. Lessor shall have the right to sell, convey, transfer or assign all or any part of its interest in the real property and the buildings of which the leased premises are a part or its interest in this Lease. All covenants and obligations of the Lessor under this Lease shall cease upon the execution of such conveyance, transfer or assignment, but such covenants and obligations shall run with the land and shall be binding upon the subsequent owner or owners thereof or of the lease.
19. **MECHANIC'S LIENS.** Lessee will not permit any mechanic's lien or liens to be placed upon the Premises or the Building and nothing in this Lease shall be deemed or construed in anyway as constituting the consent or request of Landlord, express or implied, by inference or otherwise, to any person for the performance of any labor or the furnishing of any materials to the Premises, or any part thereof, nor as giving Lessee any right, power, or authority to contract for or permit the rendering of any services or the furnishing of any materials that would give rise to any mechanics' or other liens against the Premises. In the event any such lien is attached to the Premises, then, in addition to any other right or remedy of Landlord, Landlord may, but shall not be obligated to, discharge the same. Any amount paid by Landlord for any of the aforesaid purposes shall be paid by Lessee to Landlord on demand as additional rent.
20. **Insurance.** Landlord shall maintain fire and extended coverage insurance on the Building and the Premises. Lessee shall be solely responsible for or insure any loss sustained by Lessee associated Lessee's use of the building. Lessor shall have no obligation or responsibility for any loss sustained by the Lessee related in any way to Lessee's use of the building leased pursuant to the terms of this lease.
21. **HOLD HARMLESS.** Landlord shall not be liable to Lessee, or to Lessee's agents, servants, employees, customers, or invitees for any injury to person or damage to property caused by any act, omission, or neglect of Lessee, its agents, servants, or employees, invitees, licensees or any other person entering the Premises under the invitation of Lessee or arising out of the use of the Premises by Lessee and the conduct of its business or out of a default by Lessee in the performance of its obligations hereunder. Lessee hereby agrees to hold Landlord harmless from all liability and claims for any such damage or injury.

22. EVENTS OF DEFAULT REMEDIES.

- (a) The following events shall be deemed to be events of default by Lessee under this Lease: (i) Lessee shall fail to pay the Base Rental when due and following five (5) days written notice thereof and opportunity to cure; (ii) Lessee shall fail to comply with any non-monetary provisions of this Lease or any other agreement between Landlord and Lessee all of which terms, provisions and covenants shall be deemed material within thirty (30) days following written notice thereof and opportunity to cure; provided, however, to the extent such non-monetary default cannot be cured within such 30-day time period, Lessee shall not be deemed in default as long as Lessee has commenced its efforts to cure such default and diligently pursues the same; (iii) the leasehold hereunder demised shall be taken on execution or other process of law in any action against Lessee; (iv) (vi) Lessee files a petition under any section or chapter of the National Bankruptcy Act, as amended, or under any similar law or statute of the United States or any State thereof; or a petition shall be filed against Lessee under any such statute by any party other than Lessor or (vii) as part of any Bankruptcy or insolvency proceeding a receiver or trustee shall be appointed for Lessee's leasehold interest in the Premises or for all or a substantial part of the assets of Lessee (the mere appointment of a receiver or trustee as part of any civil litigation shall not constitute a default under the terms of this agreement).
- (b) Upon the occurrence of any event or events of default by Lessee, as enumerated in Paragraph 22(a) above, Landlord shall have the option to pursue any one or more of the following remedies without any notice or demand for possession whatsoever : (i) terminate this Lease in which event Lessee shall immediately surrender the Premises to Landlord; (ii) terminate Lessee's right to occupy the Premises and re-enter and take possession of the Premises (without terminating this Lease); (iii) enter upon the Premises and do whatever Lessee is obligated to do under the terms of this Lease; and Lessee further agrees that Landlord shall not be liable for any damages resulting to the Lessee from such action; and (iv) exercise all other remedies available to Landlord at law or in equity, including, without limitation, injunctive relief of all varieties.

Landlord may, without prejudice to any other remedy which it may have for possession or arrearage in rent, expel or remove Lessee and any other person who may be occupying said Premises or any part thereof. In addition, the provisions of Paragraph 28 hereof shall apply with respect to the period from and after the giving of notice of such termination to Lessee. All Landlord's remedies shall be cumulative and not exclusive. Forbearance by Landlord to enforce one or more of the remedies herein provided upon an event of default shall not be deemed or construed to constitute a waiver of such default.

- (c) This Paragraph 22 shall be enforceable to the maximum extent not prohibited by applicable law, and the unenforceability of any portion thereof shall not thereby render unenforceable any other portion. To the extent any provision of applicable law requires some action by Landlord to evidence or effect the termination of this Lease or to evidence the termination of Lessee's right of occupancy, Lessee and Landlord hereby agree that notice, either oral or by telephone, or by any act of Landlord that comes to the attention of Lessee, its agents, servants or employees, which reflects Landlord's intention to terminate, shall be sufficient to evidence and effect the termination herein provided

for, but Lessee hereby agrees that, as between Landlord and Lessee, its successors and assigns, no such notice shall ever be necessary to effect a termination hereunder.

23. **PEACEFUL ENJOYMENT.** Lessee shall, and may peacefully have, hold, and enjoy the Premises, subject to the other terms hereof, provided that Lessee pays the rent and other sums herein recited to be paid by Lessee and performs all of Lessee's covenants and agreements herein contained. This covenant and any and all other covenants of Lessor shall be binding upon Lessor and its successors only with respect to breaches occurring during its or their respective periods of ownership of the Lessor's interest hereunder.
24. **HOLDING OVER.** In the event Lessee continues to occupy the Premises after the termination of Lessee's right of possession pursuant to Paragraph 22(b)(ii) hereof, Lessee shall, throughout the entire hold over period, pay rent equal on a per diem basis, to one and one-half times the Base Rental.
25. **NO IMPLIED WAIVER.** The failure of Landlord to insist at any time upon the strict performance of any covenant or agreement or to exercise any option, right, power or remedy contained in this lease shall not be construed as a waiver or a relinquishment thereof for the future. No payment by Lessee or receipt by Landlord of a lesser amount than the monthly installment of rent due under this Lease shall be deemed to be other than on account of the earliest rent due hereunder, nor shall any endorsement or statement on any check or any letter accompanying any check or payment of rent be deemed an accord and satisfaction, and Landlord may accept such check or payment without prejudice to Landlord's right to recover the balance of such rent or pursue any other remedy in this Lease provided.
26. **LIMITATION ON LIABILITY.** The liability of Landlord to Lessee for any default by Landlord under the terms of this Lease shall be limited to the interest of Landlord in the Building and Lessee agrees to look solely to Landlord's interest in the Building for the recovery of any judgment from the Landlord, it being intended that Landlord shall not be liable for any judgment or deficiency. Provided however, if any default hereunder is determined to be the result of Landlord's gross negligence, willful misconduct or an intentional breach of this agreement, the limitations upon Landlord's liability contained in this paragraph shall not apply and Landlord will be liable for the full amount of any judgment or deficiency.
27. **NOTICE.** Any notice in this lease provided for must, unless otherwise expressly provided herein, be in writing, and may, unless otherwise in this Lease expressly provided, be given or be serve by depositing the same in the United States mail, postpaid and certified and addressed to the party to be notified, with return receipt requested, or by delivering the same in person to an officer of such party, addressed to the party to be notified at the address stated in this Lease or such other address notice of which has been

given to the other party. Notice deposited in the mail in the manner herein above described shall be effective from and after the expiration of three (3) days after it is so deposited.

29. **SEVERABILITY**. If any term or provisions of this Lease, or the application thereof to any person or circumstance shall, to any extent, be invalid or unenforceable, the remainder of this Lease, or the application of such term or provision to persons or circumstances other than those as to which it is held invalid or unenforceable, shall not be affected thereby, and each term and provision of this Lease shall be valid and enforced to the fullest extent permitted by law.
30. **RECORDATION**. Lessee may in its discretion record this Lease, or a memorandum hereof.
31. **FORCE MAJEURE**. Whenever a period of time is herein prescribed for the taking of any action by either Lessee or Landlord, neither Lessee or Landlord shall be liable or responsible for, and there shall be excluded from the computation of such period of time, any delays due to strikes, riots, acts of God, shortages of labor or materials, war, governmental laws, regulations or restrictions, or any other cause whatsoever beyond the reasonable control of Landlord or Lessee, as applicable.
32. **TIME OF PERFORMANCE**. Except as expressly otherwise herein provided, with respect to all required acts of Lessee, time is of the essence of this Lease.
33. **COMMISSIONS**. Landlord and Lessee hereby indemnify and hold each other harmless against any loss, claim, expense or liability with respect to any commissions or brokerage fees claimed on account of the execution and/or renewal of this Lease due to any action of the indemnifying party.
34. **ENTIRE AGREEMENT**. This written lease contains the entire agreement between the parties and provisions, agreements, or promises not contained herein shall have no force and effect.
35. **APPROVALS**. PURSUANT TO KANSAS LAW, THIS LEASE AGREEMENT IS NOT EFFECTIVE UNTIL THE AGREEMENT HAS BEEN SIGNED AND THE REQUIRED APPROVALS AFFIXED HERETO.

Lessor

Title

Date

CERTIFICATION STATEMENT – I certify that this lease agreement is entered into within the authority of law, is with my approval, and that the person signing said agreement for the Lessee immediately below is authorized to do so.

Lessee

Title

Date



MEMORANDUM

To: Mayor and City Council
From: Don Cawby, City Manager
Re: **Projects & Issues Update**
Date: November 8, 2012

Projects

Zoning Regulations Update. I have finished my review of the proposed zoning regulations. Next week, Scott Michie and I will be doing a two hour walk through of the first draft, making revisions, and then forwarding to you for your review before Thanksgiving.

RFP for Defense Services. We received 4 bids and I am currently reviewing them and crunching the numbers. I will submit those to you on Nov 29 or December 13, depending on how the process goes. Since the RFP also included some review of references, I will have to complete that prior to selecting the winning proposal.

Baehr Grant for Sports Complex Playground. We will either need to begin a bid process for this project or use a purchasing group (see issues below) to select a vendor.

Levees. Now that we have the Corps of Engineers report in hand, I had a good discussion with our engineers, Wilson and Co., about our avenues to move forward with the project. We agree that getting a meeting with the Corps of Engineers is probably the best first step. We are in the process of getting this set up.

Main Street. I am working with Brian Kingsley on some options for fixing Main Street. In order to do that, I will need to spend some money to do a few core samples of Main between 1st and 5th streets. I just wanted you to know this before you get phone calls in the next week or two, about a rig drilling on Main Street.

Issues

USDA-RD Bonds Refinance. Our financial advisor, Dave Arteberry, contacted me last week to discuss the possibility of refinancing our 2008 USDA Sewer Bonds. Rates have continued to drop and some different bond instruments have become available that would get our rates down to the point of making a refinance of this many years work for us. To summarize the opportunity, we would be able to knock 4 years off the current bonds (to get them within the statutorily required 32 years) and then we could take a one-time savings of about \$110,000 to use for capital improvements at the sewer plant. I thought

I should at least have the general discussion with you before we get too serious about doing this. I have also asked Dave to check and see if this is something we could also do this with our 2008 Street Bonds.

Purchasing Agreements. I would like the Council to provide me direction on looking at joining governmental purchasing groups as a way of expediting our purchasing process and also getting products at a reduced rate. There are some purchasing groups available through MARC and the statewide association of purchasing agents. I also became aware of a nationwide purchasing group through evaluating our options on purchasing playground equipment. The general concept is that we either pay a small fee, or no fee, to become part of the group and then we commit to purchasing products through the contract first. Generally these products are large items and possibly office products, parts and accessories, or bulk supplies that we are currently purchasing.

As an example, we could save about 6% off of retail for playground equipment that we used for putting together our Baehr Grant submission. This is because these groups have gone out and bid for the same services and got the price reduction commitment on a large scale for a one to three year term. If we tried to do it on our own, we might get the same discount (or less) but we would have to spend the a large amount of time and effort to get to the same point.

There are obviously pros and cons to this process, so I would like some direction from the Council on whether or not to pursue this.

Grant Application. The City will be submitting a Community Development Grant application on behalf of the Rotary Club Lake Project. The grant would be for new playground equipment, a new roof for the shelter house, and providing picnic and fire pit areas in that general vicinity. Christle Macek has done ALL of the legwork on this and will do a majority of the paperwork we need. I will only be writing the cover letter and putting together any official documents on behalf of the City.

We plan on having the grant completed prior to the December deadline. However, because we are the entity requesting the funds, I may be asking you to approve a resolution of support or just approving the grant application at the November 29 meeting. I will provide that grant application to you as far in advance as possible. I should also mention that we will be seeking letters of support from the community, so if you or one of your many organizations would like to provide one, we would happily accept it.

Website. Website work continues. We are still taking photos, but will have to get them pared down and selected by Friday the 16th.

Upcoming Meetings/Dates

Nov 12	Veterans Day Observed (Office Closed) & Celebration at High School
Nov 17	Christmas Opener and Lighting Ceremony
Nov 22-23	Thanksgiving Break (Offices Closed)
Nov 26	Miami County Elected Officials Dinner in Paola
Nov 29	Special City Council Meeting / Joint Planning Commission Work Session
Dec 13	City Council Meeting