

LEAVENWORTH WATER DEPARTMENT

MINUTES OF A MEETING OF THE BOARD OF DIRECTORS

HELD ON SEPTEMBER 23, 2013

A regular meeting of the Board of Directors of the Leavenworth Water Department was held at 5:00 PM on Monday September 23, 2013 at the Leavenworth Water Department located at 601 Cherokee, Leavenworth, Kansas 66048.

ATTENDANCE

Directors in Attendance

Michael Bogner, Chairman
Greg Kaaz, Vice Chairman
Richard Gervasini, Secretary
Teresa Wood, Assistant Secretary

Directors Absent (Excused)

Howard Kirk, Member, Member

Staff in Attendance

John Kaufman, Department Manager
Lesia Hegeman, Finance Manager
Kayla Manning, PE, Staff Engineer
Jeff Arnold, Water Treatments Plants Manager
James Adams, North Plant Superintendent
Gary Simanowitz, South Plant Superintendent
Dennis Baragary, Sr., Distribution Manager
Patrick Garrett, Jr., Distribution Supervisor

Others in Attendance

Peter Robertson, Crow & Associates (attorney)

CALL TO ORDER

Chairman Bogner called the meeting to order at 5:00 PM.

ROLL CALL, ANNOUNCEMENT OF QUORUM

Chairman Bogner noted that a quorum was present.

REQUESTS, COMMENTS, PETITIONS BY MEMBER OF THE PUBLIC

None

BOARD MEMBER ITEMS OUTSIDE OF EXECUTIVE SESSION

Director Kaaz:

- Asked if \$1,000 per month is being paid to HRS. *Management responded yes. HRS is working on supervisor training in October and is waiting on responses from the Board and staff on certain draft work HR products they have provided; they have completed all assigned tasks to this point. [The Water Department does not have*

a human resources department and HRS fills this role on an as-needed basis with a \$1,000 monthly fee.]

- Wanted to know if a sign is posted at the front door about access to Board meetings. *Management responded yes. [Such notices have been posted since July of 2008.]*
- Wanted to know if a door bell was placed at the front entrance for use by the public. *Management responded yes.*
- Requested an update on security cameras [for the administration office.] *Management that one local bid was obtained so far and other bids are being requested.*

Director Bogner:

- Asked about all the “do-outs” [from HRS]. Wants to know what they are waiting on us for; he is prepared to make a motion or a decision; he wants the information presented to the Board for a vote; wants another list prepared of completed tasks; Is disappointed in this.
- Requested that a door bell be placed at the side door entrance for board members.

Director Gervasini:

- Asked if the security camera bid was from Central Management Security. *Management responded that a local company was contacted and provided a bid.*

Director Wood:

- Will not be present at the October 14th Board meeting.

**APPROVE MINUTES OF
SEPTEMBER 23, 2013**

Upon motion by Director Kaaz, second by Director Wood, and abstention by Director Bogner the minutes were adopted, it was

RESOLVED (No. 14252), that the minutes of the September 9, 2013 Board Meeting are hereby approved.

**CONSIDERATION OF CONSENT
AGENDA FOR:**

Upon motion by Director Kaaz, second by Director Wood, and abstention by Director Bogner the consent agenda was adopted, it was

A. PAYROLL DISBURSEMENT
B. PAYMENT OF CLAIMS
**C. UPDATED SCHEDULE OF
EVENTS**

RESOLVED (No. 14253), that the Board approved:

- A. The payroll for the period ending September 30, 2013 amounting to gross pay of \$78,390.19 (composed of the following withholdings and deductions) Federal Income Tax - \$8,095.04; FICA - \$5,746.74; State tax - \$2,696.65; KPERS - \$3,436.54; Insurance - \$2,575.33; United Way - \$98.75; Eq-flex - \$2,857.23; PEDC - \$2,954.83; Garnishment - \$755.00; Rent - \$217.50; Misc - \$47.50; and Direct Deposit - \$48,909.08, and including the following overtime amounts: Distribution – 77 hours @ \$2,444.29; North Plant – 11 hours @ \$337.13; South Plant – 6 hours @ \$184.10 be approved and disbursements made from the Revenue Fund for their respective amounts.

- B. The Special Claims \$262,883.62, and Special/Special Claims as follows: AXA Equitable Life \$146.00; SASI \$1,123.00; The Towne Pub \$68.55; and Walmart \$1,094.46; and checks be drawn on the Revenue Fund for their respective amounts.
- C. The Updated Schedule of Events.

Director Bogner:

- Asked is anyone on the Board reads the schedule of events; if it means anything to anyone. *Management responded the schedule is prepared at the beginning of the year and is updated and modified from time to time as event schedules change or as new events need to be posted. [The calendar of events was developed for the Board and Management at the request of the previous Board.]*
- Does not think the calendar of events is useful at all; it “is of no use to me.” The detailed calendar “dilutes everything that is important.”

EXECUTIVE SESSIONS

Upon motion by Director Kaaz, second by Director Gervasini, and unanimously adopted, it was ...

RESOLVED (No. 14254), at 5:38 PM, the Board recessed the regular board meeting and entered into executive session for 20 minutes to discuss personnel matters.

Upon motion by Director Wood, second by Director Kaaz, and unanimously adopted, it was ...

RESOLVED (No. 14255), at 6:10 PM, the Board ended the executive session with the intent to re-enter into executive session.

Upon motion by Director Gervasini, second by Director Wood, and unanimously adopted, it was ...

RESOLVED (No. 14256), at 6:12 PM, the Board recessed the regular board meeting and reentered into executive session for 20 minutes to discuss personnel matters.

Upon motion by Director Wood, second by Director Gervasini, and unanimously adopted, it was ...

RESOLVED (No. 14257), at 6:35 PM, the Board ended the executive session and reconvened the regular board meeting.

Director Kaaz:

- Asked about the location of fire hydrants in the Pine Ridge subdivision in reference to a recent fire that destroyed a house at 1917 Pine Ridge. *Management responded that there are three fire hydrants in the subdivision. [The static water pressure in the subdivision is about 57 to 60 psi.]*
- Water was tanked in and mutual aid was called. Asked if there was not sufficient water to fight the fire. *Management responded that a 10-inch main in an easement provides water to the*

subdivision along a private road. The water service is a dead end and feeds off a long 8-inch main on Lecompton Rd. No concerns were expressed by the Fire Department concerning the availability of water to fight the fire. The Fire Department called the South Plant to turn a pump on at the booster pump station after they opened a fire hydrant to fight the fire. [Fire hydrants are tested annually by the Fire Department in the Pine Ridge subdivision in coordination with the Water Department. Due to the high elevation, the Fire Department procedure is to call the Water Department before opening a fire hydrant in the subdivision so that the pumps in the Ohio booster pump station can be activated manually. While in automatic/program mode, the pumps are set to shut down automatically to avoid high back pressure and pipe breakage. This causes the pumps to cycle on and off if a hydrant in the subdivision is opened for testing or fire fighting. The resultant flow to the fire hydrant will cycle high and low. Manual control of the pumps from the South Plant prevents this from occurring. With the present radio control system, the response lag time of a command at the South Plant to the booster pump station is from 3 to 18 minutes depending upon circumstances. Therefore, prior notification to the Water Department when fighting a fire in the Pine Ridge subdivision is strategically important to the success of the effort.]

Director Bogner:

- The Water Department sold land in the subdivision to Danny Zeck that was designated to have a water tower on it.

**CONSIDERATION OF AUGUST
FINANCIAL STATEMENT AND
INVESTMENT REPORT**

Director Kaaz:

- Suggested that Management wait for his call before contacting the City on the cost for the Shawnee St. construction project.
- Two months ago, and last month, he inquired about a \$50,000 over-budget cost (on page 6 under water-softening chemicals at the South Plant); the cost for road repair from the 2011 flood (\$70K) was apparently applied to this cost category in error. He would like a response from Management. *Management will examine the matter and reclassify the cost as necessary. [FEMA/KDEM reimbursement for much of this cost has been received.] A reclassification of cost for the North Plant will also be addressed pertaining to the Black & Veatch study for the Southern Star Gas Company (SSGS) pipeline construction project. [This cost was reimbursed by SSGC.]*
- For bank deposits greater than \$250K, the banks are required to put up bonds (in response to a question by Director Bogner).

Director Bogner:

- Asked if the FDIC insurance is 100% of the bonds or 80%. *Management responded that FDIC insurance covers 100% of deposits up to \$250K per account holder.*
- He would like to have color graphs for the financial reports.

Director Gervasini:

- Asked if Management approached the City on the final cost of the Shawnee Street reconstruction project? *Management responded not yet as the project was only recently completed.*

- Asked if the FDIC is insurance and do they pay interest? *Management responded that FDIC is insurance for bank deposits and they do not pay interest.*

Upon motion by Director Gervasini, second by Director Wood, and unanimously adopted, it was ...

RESOLVED (No. 14258), that the Board approved the August 2013 Financial Statement and Investment Report.

**CONSIDERATION OF
CHEMICAL SCALES PURCHASE
FOR NORTH PLANT**

Director Gervasini:

- Quality-wide, asked if any of the other bids are better values than the lowest-price bid. *Management responded no; the unit is reliable.*
- Asked if the new scales will be compatible with the new SCADA system to be installed next year. *Management responded yes.*

Upon motion by Director Kaaz, second by Director Gervasini and unanimously adopted, it was ...

RESOLVED (No. 14259), that the Board approved the purchase of five chemical scales from Hawkins, Inc in the amount of \$17,998.52.

Director Bogner:

- Requested that a copy of the capital improvement plan be included in the staff report for future capital purchases; "it seems to change quite a bit."
-

**CONSIDERATION OF pH
INSTRUMENTATION
REPLACEMENT AND
INSTALLATION FOR NORTH
PLANT**

Director Kaaz:

- Asked if Pedrotti had a copy of the whole system. *Management responded that Pedrotti is our system integrator [and they have a copy].*

Upon motion by Director Gervasini, second by Director Wood, and unanimously adopted, it was

RESOLVED (No. 14260), that the Board approved the purchase of new pH instrumentation equipment from Hach Company for \$4,002.00 and installation of the equipment by R.E. Pedrotti Company for \$6,835.00 with a total price not to exceed \$10,837.00.

**CONSIDERATION OF
INVESTMENT POLICY**

Director Bogner:

- If this is going to be the policy, then it should be the statement of what the qualifications would allow to bid rather than just the final bid of these institutions. It should be opened up to anyone who could meet the Kansas State statute.
- The last part of the text [listing the institutions] is not needed.
- Asked if the law requires that bids be sought for investment deposits.
- Asked if the banks ever refuse to keep the money. *Management and Director Wood responded yes.*

- Table the motion pending the language changes.

Director Kaaz:

- Asked about the process when a CD comes due for maturity. *Management responded that historically, all the banks are contacted about the maturity of a CD and asked to make a bid. Otherwise, the money is sent to MIP. Now, the bank holding the CD is just asked to hold onto the money because other banks are not offering bids (due to the present economy).*
- He is concerned that the policy does not address what we are currently doing ... that bids are not being obtained because banks do not want the money.
- At some point we are going to max-out the MIP.
- He is trying to fit what we are doing in the policy.
- Bumping up the percentage of MIP to 70% would be acceptable.
- Asked about updating the MIP documents. *Management responded that it has been looked into; the documents were printed. The new documents address who has access to the MIP account.*
- Bring the MIP signature document as a resolution to the Board for approval.

Director Gervasini:

- Recommended the following language change:

“In the event that financial institutions do not desire to bid on available funds, they will be asked to retain the funds for an additional period of time. A fallback policy would be to invest these dollars in MIP.”

Director Wood:

- Suggested a letter to the banks [to satisfy the bid requirement].

The Board tabled this agenda item to address discussed changes.

**CONSIDERATION OF IBM
ISERIES CAPACITY UPGRADE**

Director Gervasini:

- IBM is a proprietary system.
- Asked if the upgrade will be compatible for online billing software. *Management responded the answer is not yet known.*
- Asked if the upgrade will require any improvement in the communication lines. *Management responded no.*
- Asked if we know of anyone doing backups through HTE. *Management responded no.*
- Asked if HTE will give us the names of other utilities who are using them for backups. *Management responded that we have talked to other utilities in a similar situation.*

Director Bogner:

- Asked if the price is set.
- Asked if the work is done remotely. *Management responded yes.*
- Asked if a third party should do the billing. *Management responded that certain tasks would still have to be done in-house. It could be looked at as a permanent solution or we could use the “cloud” for this work, or let HTE do the postings/backups.*

Director Kaaz:

- Asked if the upgrade will include backup. *Management responded yes. Another disk drive will be provided to run dual backups.*

Upon motion by Director Gervasini, seconded by Director Wood, and unanimously adopted, it was ...

RESOLVED (No. 14261), that the Board approved the purchase for hardware capacity upgrade and OS upgrade to 7.1 on the existing IBM iseries 520, at cost not to exceed \$15,365.87.

DISCUSSION OF 2014 OPERATING BUDGET

Management continued the informational discussion on costs in terms of current costs, forecast cost, and labor versus O & M costs.

Director Bogner:

- Asked about O&M costs for the administration building. *Management responded that O&M costs include all non-labor costs such as building utilities, computers, and so forth.*
- Sue gave the board a projection of what might happen [concerning future retirement liability]. If we know for sure a guy is retiring, then those costs definitely need to go into the budget as an operating expense.
- There is a two-part answer to it:
 - One is those that we know for sure are going to retire; the liability that we owe needs to be put into the actual budget year that we are calculating.
 - The other is [projected] information that is very important for us to know what could happen under a worst-case scenario. *Management responded that those numbers are not included in the O&M budget. The accrual is included every month in the monthly financials; so, we get a snap-shot as an operating year, but we do not see the pay-out. So, we understand the Board wants to recognize the cash flow. The expenses are recognized as we go.*
 - When one retires, we have to bring the new person in at a much lower salary – “hire lag.” *Management responded that we know of one employee who will retire at the end of this year, but after that everyone has been circumspect about their intentions. Beyond this year we do not know with certainty other employee intentions, but the numbers will be included in the budget.*
- Asked if the shift back to the North Plant needs to happen as soon as possible or can costs be absorbed in the budget or in the capital improvement budget. *Management responded that the costs can likely be absorbed.*

Director Gervasini:

- Asked about administration and plant labor costs. *Management responded that labor costs correspond to two new employees and plant retirements.*
- Sue [Barnes] sent the Board spreadsheet information for leave or medical leave of how much we have to keep in a “pot” to pay that [retirement] cost - asked if that is considered in the labor cost [of the O&M budget]. *Management responded no.*

- So to get a true picture [retirement costs] would have to be included in the labor costs, because the labor costs consider salaries, benefits, and that's a benefit. There is medical leave time that has been stored up by a lot of people. *Management responded that it is a future liability or we could amortize it now.*
- He said that we are going to have to amortize it year to year.
- The retirement liability needs to be noted some place because it is a valid picture of our liability.
- Right now we are under-budget at the South Plant, but staff is forecasting that we will be over-budget at the Plant by \$225K [at the end of the year]. *Management responded yes. We are pumping the South Plant more than during the first half of the year and the North Plant is forecast to be under-budget because it is pumping less than during the first half of the year. The majority of water is coming out of the South Plant now. Power and chemical costs are tied to the volume of water pumped. The combined unit price is what is most important. By running the South Plant continuously, we are not hit with the high electrical demand charges. The North Plant has VFDs which minimizes the electrical load and associated costs. It is more efficient to use the North Plant for peaking than the South Plant. It helps keep the total price down. A south Plant high-service pump needs to be fixed, the wells need to be cleaned, and lime sludge needs to be removed from one of the lagoons, which adds to the cost. The North Plant will go back to base loading at about 2 MGD once the last head gate is installed and catch up will occur at the South Plant. Otherwise, the North Plant would be shut down for the winter and all water production would come from the South Plant. Next month should be a little less cost at the South Plant. From December through March the cost of water production will be little more expensive.*
- The [South Plant and well field] repairs are needed for next year.

Director Kaaz:

- Asked that if we recognize the retirement as an expense; "is the expense not taken it out of liabilities." *Management responded that the expense is recognized when it is paid out. What accrues is the sick time and unused vacation time.*
- If we closed down shop now, we would owe \$464K to the employees.

**DISCUSSION OF 2014
CAPITAL BUDGET**

Management reported that the capital improvement plan remains a work in progress. Two new meter guns need to be added to the budget for next year to replace the old guns with a software upgrade totaling about \$30K. We are waiting for hard numbers from the vendor on the actual cost. The procurement policy is being worked on and staff developed their capital improvement descriptions for 2014.

**DISCUSSION OF 2014 RATE
SCHEDULE**

Management presented a comparison of 2013 retail water rates of the Water Department versus other area water providers. Pat McCool was contacted and was not available to be present at the Board meeting to discuss rates. He was asked to come to the next board meeting but has not responded.

Other information was presented:

- Revenue from water sales (historic)
- Metered water use by year
- Number of service connections in the rural water districts
- Historic water use by the City (government) and associated revenue
- Comparison of water use 2012 and 2013 by Lan-Del
- USP water use in 2012 and 2013
- How much water that is provided to whole customers
- Historic treated water pumped to distribution

Director Gervasini:

- Asked if Olathe is part of WaterOne. *Management responded no; it supplies its own water.*

Director Bogner:

- Asked if there is any restricted use of water by the City.
- Asked about the language of the agreement with the City. *Management responded that it is site-specific depending upon the type of use and if revenue is generated by the City associated with the water use.*
- Requested a copy of the agreement with the City.
- We need to be more prudent managers of water if the City is getting it for free; they could open a hydrant and just let it run for the heck of it. The less we have to produce the less we have to bill them. It's a bad image if someone sees the City wasting water that we do not want to perpetuate. If the City has no accountability, they will use water when ever they can. *Management responded that some free water is used at City parks [for restrooms], hydrant testing, fire fighting, street cleaning, and sewer flushing. About \$10K of free water is given to the City every year.*
- It might be time to revisit the agreement with the City for free water. If the numbers show a significant usage, then we need to look at the agreement.
- Asked if the City knows how much is not billed to the City. *Management responded yes as per the agreement. The current dollar figure may not be known. The City will be so advised.*
- Nobody at the City will take responsibility for managing the free water use at the City.
- Asked if we are negotiating with Lan-Del that they will purchase more water or are we just hoping they will buy more water. *Management responded that we have had preliminary discussions with their attorney about purchasing more water. The Lan-Del policy is to purchase 70% of their water from the Water Department and 30% from BPU.*

ADMINISTRATION REPORT

The administration report is attached as an annex.

Director Bogner:

- Concerning HRS, he does not want any more work by them until they complete their deliverables; if they cannot produce a product we should not give them more work.

Director Kaaz:

- Wants the Board to approve the supervisor training outline.
- Wanted to know if the HR manual has been reviewed by counsel. *Management responded that this would be checked.*
- Include the HR manual in the next agenda.

PROJECTS UPDATE

The projects update report is attached as an annex.

Director Bogner:

- Wants to hold off on Delaware Street line replacement until next year with a competitive bid instead of having it directional bored this fall as part of a contract amendment with the Limit Street contractor.
- All contracts come to the board for approval.
- Make sure RFPs go to Linaweaver and Denny.
- Present the project outline for next year at the next meeting.

Director Kaaz:

- Wants the Delaware Street line replacement project included in a larger bid package next year on the plan rooms.
- Is not in favor of putting pipe in the ground and coming back later to make the interconnections; it draws the project out too long.

Director Gervasini:

- Asked if the Delaware street pipe needs to be installed this year.
- Wants us to focus on finishing Shawnee Street. See if we can get a better bid by including it in the 2014 project package.
- When we gave the City money for Shawnee Street, we set a precedent that will probably come back to bite us in the rear end.

GENERAL MANAGER'S REPORT

The projects update report is attached as an annex.

Director Kaaz:

- If the City passes its sales tax issue, they will have money for [public works] projects past 2016.
- Send him a copy of the BPU-Consol. 1 agreement.

Director Bogner:

- Document the damage to Linn and Thornton Street as being caused by main breaks or something else. *Management reported that damage to both streets was caused by main breaks. Kersten performed restoration work on Thornton Street, but the work needs to be redone because the repair area was too large for their equipment; there is unevenness in the asphalt. No repair work was done on Linn Street from past main breaks.*
- Asked if there is a concern with the quality of Kersten's work concerning the restoration on Thornton Street [from 6 main breaks]. *Management responded no; if the repair area is large, Kersten now subcontracts the work to an asphalt company which has the right equipment – the 10th Street repair is a good example.*

The Thornton Street repair was done prior to the practice of sub-contacting and Kersten is responsible for making the repair good.

- He wanted to bid this work out. Kersten thinks that they have a lock on all the Water Department work and they have no incentive to do better work.
- Wants to know what our plan is to bid out the concrete work. *Management responded that most of the street repair work is asphalt. The bidding will go out for new work beginning the first of next year. [A draft RFP is in progress.]*
- Just do something.
- Regarding Consol. 1, we should “max out” what we can produce now in place and wait and see; 13 years is a long time. Asked if they will buy from us in 2026. Until their attitude changes about buying water from BPU, there is no reason for us to invest in any more money in infrastructure. We need to fix what we got.
- Wants a report for the next meeting on the Lan-Del line purchase offer.

Director Gervasini:

- Asked about the wholesale cost differential between the Water Department and BPU. *Management responded that the cost difference is about 1.5 cents per unit of water with BPU being more expensive.*
- We can start working on easements for a water line.
- Asked if we got a response back from Lan-Del on our offer to purchase their water line 4-H road. *Management responded that no response has been received from Lan-Del.*

ADJOURNMENT

There being no further business to come before the Board, Chairman Bogner adjourned the meeting.

Approved _____ 2013

Michael Bogner, Chairman