

**LEAVENWORTH WATER DEPARTMENT**

**MINUTES OF A MEETING OF  
THE BOARD OF DIRECTORS**

HELD ON SEPTEMBER 9, 2013

A regular meeting of the Board of Directors of the Leavenworth Water Department was held at 5:00 PM on Monday September 9, 2013 at the Leavenworth Water Department located at 601 Cherokee, Leavenworth, Kansas 66048.

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**ATTENDANCE**

**Directors in Attendance**

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

**Directors Absent (Excused)**

Howard Kirk, Member

**Staff in Attendance**

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

**Others in Attendance**

None

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**CALL TO ORDER**

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

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**ROLL CALL, ANNOUNCEMENT  
OF QUARUM**

Chairman Bogner noted that a quorum was present..

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**REQUESTS, COMMENTS,  
PETITIONS BY MEMBER OF  
THE PUBLIC**

None

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**BOARD MEMBER ITEMS  
OUTSIDE OF EXECUTIVE  
SESSION**

None

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**APPROVE MINUTES OF  
SEPTEMBER 9, 2013**

Comment by Director Gervasini:

- There is no need whatsoever in the future to include all the agenda items in the minutes; instead, attach the agenda items as attachments or as an annex and simplify the discussions and the decisions made by the Board.

Comment by Director Kaaz:

- Director's comments are needed in the minutes and were well done in the minutes of previous board meeting.

Director Bogner: Asked if there were any objections to this procedure and there were none given.

Comment by Director Bogner:

- Recording board meetings is warranted to ensure accuracy of comments.

Upon motion from Director Kaaz, seconded by Director Wood the minutes were adopted with Director Bogner abstaining it was ...

**RESOLVED (No. 14246)**, that the minutes of the August 26, 2013 Board Meeting are hereby approved.

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**CONSIDERATION OF CONSENT  
AGENDA FOR:**

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

**A. PAYROLL  
DISBURSEMENT**

**RESOLVED (No. 14247)**, that the Board approved:

**B. PAYMENT OF CLAIMS**

- A. The payroll for the period ending September 15, 2013 amounting to gross pay of \$78,155.04 (composed of the following withholdings and deductions) Federal Income Tax - \$8,120.63; FICA- \$5,728.73; State tax - \$2,693.54; KPERS - \$3,433.16; Insurance - \$2,308.14; 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 - \$48,940.03, and including the following overtime amounts: Distribution - 29.50 hours @ \$892.08; North Plant - 38 hours @ \$1,027.09; South Plant - 30 hours @ \$933.90 be approved and disbursements made from the Revenue Fund for their respective amounts.

**C. UPDATED SCHEDULE  
OF EVENTS**

- B. The Regular Claims \$125,925.75; Special Claims \$234,925.15, and Special/Special Claims as follows: Travelers \$10,000.00; All Slabbed Up \$180.28; Kansas Gas Service \$199.77; and Westar Energy \$40,026.48; and checks be drawn on the Revenue Fund for their respective amounts.

- C. The Updated Schedule of Events.

**CONSIDERATION OF RAPID MIX UNIT FOR SOUTH PLANT**

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

**RESOLVED (No. 14248)**, that the Board approved the purchase of a new Sharpe rapid mix unit in the amount of \$12,865.00. Staff will install the rapid mix unit.

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**CONSIDERATION OF WELL CLEAN BIDS**

John Kaufman reported that two bids were received for the project, but the bid from Layne Christensen Company was incomplete (semi-responsive) and the bid from Douglas Pump Service was late. He recommended that the bid from Layne in the amount of \$63,490.00 be accepted provided that the unit costs for supplemental work and chemicals be negotiated satisfactorily.

The board members asked several questions and made numerous remarks about the bids and the well cleaning the previous year leading toward the following course of action ...

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

**RESOLVED (No. 14249)**, that the Board approved the bid from Layne Christensen Company in the amount of \$63,490.00 subject to approval by Attorney, Mike Crow, and subject to satisfactory submittal of bid information for supplemental work that was not provided in their bid.

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**CONSIDERATION OF 2014 DRAFT OPERATING BUDGET AND 10 YEAR PLAN**

Management briefly described the proposed operating budget and assumptions for administration, distribution, and water treatment. The Board took no action on the proposed 2014 operating budget and 10-year plan.

Board comments and questions were as follows with management responses in *italics*:

Director Kaaz:

- Questioned the cost comparison of hiring two additional staff to support line replacement work versus contracting out all of the work. *Management reported that the combined cost for two people is about \$98,000, including benefits, and that they are needed for a dedicated crew to work on line replacements in conjunction with the contractors. If water lines are replaced by either horizontal directional drilling or pipe bursting, the Distribution staff would perform the necessary pipe fusing, pipe bursting, and make all interconnections and service line transfers to the new mains. Contractors would be used to perform all necessary excavation, drilling, and site restoration work.*
- Understood that during the previous board meeting retiring Distribution staff would not be replaced. *However, management made no such recommendation concerning Distribution personnel at the last board meeting.*

- Asked if the Water Department should instead have one junior engineer out of school to perform inspection work.
- Is comfortable with hiring two additional crew members if they are assigned to working in excavations and the experienced senior staff are used more for inspection work, which is the plan.
- Recommended that line replacement bids be structured so that the contractors do all the work and the Water Department just inspects the work. *Our people have enough work to do. Management responded that the Water Department has historically flushed and charged the lines and provided the service connections. In consideration of forecast 2014 staff workloads, management will determine which projects would be best for contractors to complete as a total package to ensure that all the projects are completed as planned with proper field inspection.*
- If we put our better people on projects we will have good inspectors.
- Bid projects as a package; \$400K-500K to get better interest from bidders with one mobilization. Get the bid package out for bid in January or February for the best prices. Bid one project in January and the rest in February or later to gain some experience to fix any mistakes. Get bids with qualifications. Stay away from pre-qualifying contractors to avoid potential legal issues.
- Asked for an explanation of chemical costs for the plants – purification – how we arrived at the 2014 figures for no inflation. *Management explained that the forecast fixed costs are based on historic costs and projected changes. Variable costs are a function of water production. Each plant was directed to assume a water production based on an average of the past 11 years of historic water production considering the customer base has changed little in that time. Employee wages and benefits are based on actual staff known to be employed in 2014 plus forecast overtime.*
- Asked if EPA changes the requirements for lime-sludge disposal, will the North Plant be able to comply. *Management responded that the North Plant should be able to comply with likely permit requirements, but if the discharge of lime sludge is not allowed into the Missouri River, then the cost of operating the North Plant to dispose of lime sludge elsewhere would increase the cost of operations significantly. NPDES permits for lime sludge disposal into the Missouri River were recently issued with EPA approval for St. Louis and another city along the Missouri River with pH and mixing zone requirements for suspended solids.*
- We need to move up a master plan to examine the question of operating two water treatment plants. *Management responded that two plants are needed in the summer months or the South Plant could be expanded at considerable capital cost.*
- We could expand the South Plant, put in radial wells, shut down the North Plant, and connect to WaterOne and that's our redundancy as an option for consideration in a master plan.

Director Bogner:

- Asked if we are doing the right things in-house instead of trying to do everything in-house. We need to hire contractors to get more field work done. He questioned how much more we will accomplish with two more people.
- Wants time to go through the numbers outside the [board] meeting.
- Asked if we are a non-profit or for profit organization.
- An operating budget projected past 2014 is immaterial right now.
- It is easier to see costs at the macro level as categories of cost.
- We are not going to increase sales and asked if the Water Department is getting more efficient in any of the various cost categories? He would like to see a plan on line replacement work in terms of cost savings for the various methods of line replacement work. It's all theory and he is not comfortable with any of the numbers. We have to live within our means – we need to see the rate structure with the capital improvement plan. He asked about the basis for the rates; should they be kept the same. We need to improve our business posture. He wants an execution plan and how is it cheaper, smarter, and faster.
- Asked about the cost savings of the new SCADA system equipment right now. *Management responded that the SCADA system is needed to operate the plants more efficiently with better communication. It will be compatible with the new Microsoft operating system from the current unsupported NT systems. It will allow us to run the plants automatically for the use of chemicals, which will save money.*
- Asked if the new SCADA system will allow us to eliminate a shift. He does not see an efficiency that will generate money savings. He asked what the next step is going to be for SCADA; how do we get to a more efficient operation. *Management stated that a shift could be eliminated by converting the disinfection system to bleach at more than triple the operating cost [and replacing the rapid sand filter system with a membrane filter system].* He asked what the cost comparison would be versus salaries. *Management responded that it has not performed such an analysis, [but would it be part of a master plan scope of work].*
- We need additional water storage.
- Referring to main replacements, management should prepare a capital improvement execution plan for 2014.
- In reference to the 90-day notice to RWD-5 to change water rates, he asked when we last negotiated a contract with RWD-5. *Management could not recall, but would review the agreement.*

We need to submit a standard contract with them to bring them in line with the other rural water district contracts – a 30-day notice for example.

- Asked about the importance of RWD-5. *Management responded that RWD-5 is a small water user, has no plans to grow, and has no good option to purchase water elsewhere. We use their elevated water-storage reservoir to back-feed our system; part of the agreement was to give them a 90-day notice to change water rates. The new VFDs at the booster pump station and the new SCADA system will allow us to run the booster pump station without the use of their tower.*

Director Gervasini:

- Questioned how many meter readers are needed when the radio-read meters area installed. *Management responded that just one meter reader will be needed in general, except when assistance is needed on a case-by-case basis. Two existing meter readers will be dedicated to assist with line replacement work.*
  - Consider hiring summer college students to help with cleaning meter pits and other similar seasonal work.
  - Change contractor bid evaluations to favor the best-value bid instead of the lowest-price bid to ensure the work is done correctly.
  - Add a column of the 2013 actual expenses for each division.
  - Would like to see some comparisons [of the various methods of line replacements].
  - Asked how long we will be using the North Plant. *Management responded that there are no plans to shut down the North Plant; it is the most cost-efficient of the two plants and the least vulnerable to flooding, but the most vulnerable to river bottom degradation [because the river intake is a fixed elevation structure].*
  - Asked about the cost savings of the new plant SCADA systems; how the new SCADA systems will improve our operation efficiency.
  - If the current old SCADA system is lost due to a computer failure, the plant(s) will have to shut down. There are other mitigating factors. We are driving toward a shift reduction if there is a way to mitigate the danger of the chlorine gas.
  - Asked if the contracts with the other rural water districts specify a time frame to announce rate increases. *Management responded that the agreements may be silent on the subject, but would research them to be sure.*
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**CONSIDERATION OF 2014  
DRAFT CAPITAL BUDGET AND  
10 YEAR PLAN**

Management briefly described the proposed capital budget for administration, distribution, and water treatment. The Board took no action on the proposed capital budget and 10-year plan.

Board comments and questions were as follows with management responses in *italics*:

Director Bogner:

- Asked about the impact of deferring the SCADA system installation one year. *Management responded that if the computer system fails, computer software support for the old NT system would be not be available. The slow response of the existing radio communication system and the new VFD system for the booster pump station were also discussed.*
- Asked if we should spend money on the buried infrastructure first instead of the electronics [of the SCADA system]. *Management responded that in the case of the booster pump station, the existing infrastructure can handle what we need to do with it. When complete, the booster pump station can stand alone. The agreement with RWD-5 should remain as a backup. But, the agreement for sharing the water-storage tower should be renegotiated.*
- The Water Department should look at buying RWD-5's water tower. *Management responded that the tower is too small at 250,000 gallons for our needs.*
- Run the pumps during off-peak hours as much as possible to save on electrical costs – keep this in mind for the master plan; we need to have more storage tanks [for filling during off-peak hours]. And not have to operate the plants at near capacity all the time to maintain service. *Management responded that we are limited with just one storage tank. In general, the storage reservoir is filled at night and drained during the day.*
- The more tanks we have the more we can pump at night.
- Asked why all the trucks have to be 4 x 4's. *Management responded that we are looking at the lower-cost Ford Transit vehicle for a couple of applications instead of pickup trucks.*
- Vehicle purchases should allow competition outside of town.
- We need to get the procurement policy updated.
- Look at replacing the office phone system.
- Asked about the billing system used by WaterOne.
- Requested more information at the next board meeting on the Country Club Bank's Positive Pay system; if it works then implement it quickly.

- He would like a PowerPoint on the master plan scope of work – approach and priorities.
- Likes the idea of an emergency connection with WaterOne and asked if we have had discussions with the water district. *Management responded yes -- with Mike Armstrong -- a couple of years ago.*

Director Gervasini:

- Asked how many hours we put on the backhoe each year.
- We need to get on with replacing the billing system software.
- Asked if Positive Pay offers the opportunity for people to get their bill electronically. *Management and Director Wood responded that the system is for [securely handling] payables.*

Director Kaaz:

- Asked for a copy of the procurement policy for local vendors.
- Office security cameras should include the back parking lot and doors.

Director Wood:

- The Country Club Bank offers a new Positive Pay system to prevent fraud; it is a free service.

**DISCUSSION OF 2014 DRAFT RATE SCHEDULE AND 10-YEAR PLAN**

Management presented a brief cost of service analysis to the Board based on 2012 actual costs.

Board comments and questions were as follows with management responses in *italics*:

Director Bogner:

- KRWA has specialists in setting water rates; management should consult with Pat McCool of KRWA before new rates are set.
- If we take over RWD-1, we could charge them a higher rate; we could install a water tower in the district and apply a surcharge
- We should look at what other water districts are doing about water rates across the state.
- There are no new customers in the immediate future; the water department must live within our means; look at containing expenses and being more efficient.
- Has a hard time following the rate numbers; unless we set our expenses to know what the rates will be.



Director Gervasini:

- We need to get a better return on our investments by extending our infrastructure to achieve more revenue [from water sales].
- We should have a least a 2% increase.

Director Kaaz:

- Asked John to email the spreadsheet to the board members.

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**ADMINISTRATION REPORT**

The administration report is attached as an annex.

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**PROJECTS UPDATE**

The projects update report is attached as an annex.

Board comments and questions were as follows with management responses in *italics*:

Director Bogner:

- The business people are getting riled up again about Shawnee Street. The Water Department reputation is getting pretty bad. The amount of time spent on Shawnee Street is too much. The concerns come primarily from the City Manager.

Director Gervasini:

- Asked what businesses are located between 3<sup>rd</sup> and 2<sup>nd</sup> Street. The City tore up Shawnee between 4<sup>th</sup> and 5<sup>th</sup> Street and is responsible for the [ongoing] work between 4<sup>th</sup> and 5<sup>th</sup> Street. *Management responded that there is a high rise apartment building between 2<sup>nd</sup> and 3<sup>rd</sup> Streets that we have received no recent complaints from local businesses or the City concerning the line replacement work Shawnee Street.*

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**GENERAL MANAGER'S REPORT**

The General Manager's report is attached as an annex.

The second board meeting in October will be Wednesday the 30<sup>th</sup> to accommodate the General Manager's schedule.

Board comments were as follows:

Director Bogner:

- Prefers the manager not attend the Governors' Statewide Water Conference in Manhattan, KS; it is a worthless trip.
- Prefers that the state representatives be invited to see our water treatment plants and advise them our concerns.

**EXECUTIVE SESSION**

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

**RESOLVED (No. 14250)**, at 8:05 PM, the Board recess the regular board meeting and enter into executive session for approximately 15 minutes to discuss personnel matters.

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

**RESOLVED (No. 14251)**, at 8:20 PM, the Board ended the executive session and reconvenes the regular board meeting.

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**ADJOURNMENT**

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

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Approved \_\_\_\_\_ 2013

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Michael Bogner, Chairman

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Richard Gervasini, Secretary