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*AGENDA  
CITY COUNCIL STUDY SESSION  
COUNCIL CHAMBERS - HUTCHINSON, KANSAS  
FEBRUARY 18, 2016  
8:30 A.M.*

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1. Discussion of City Council goals.
2. Review of water and sewer rate studies.
3. Review of December ice storm activities.



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December 22, 2015

John Deardoff  
City Manager  
Hutchison, KS

RE: Planning Session Recap

John,

Thank you for allowing the opportunity to work with you and your Council. I enjoyed and appreciated the thoughtfulness and creativity of the group. Below is a recap of our session including the process, screenshots of the fabulous art work, a draft of the governing body goals and some guidance of next steps.

**Process:**

The session included the five governing body members and the City Manager. The purpose was to develop a preliminary list of big-picture goals of the governing body. The session began with a brief discussion of our purpose for the work.

Each participant was then asked to make two lists; one indicating what they truly care about for the city and one speculating what they believe their constituents care about. A brief discussion followed to talk about how these lists were similar and how they contrasted. Generally, it was observed that constituents wanted lower property taxes, but higher levels of city provided services.

Next the participants were paired to create illustrations reflecting what they care about, using their previous lists as guides. The purpose of this drill was to open up their creativity and further define what was important to them. (screenshots). Each group presented their art for discussion and questions with the session participants.

The group then was asked to draw one illustration that combined the three pictures.

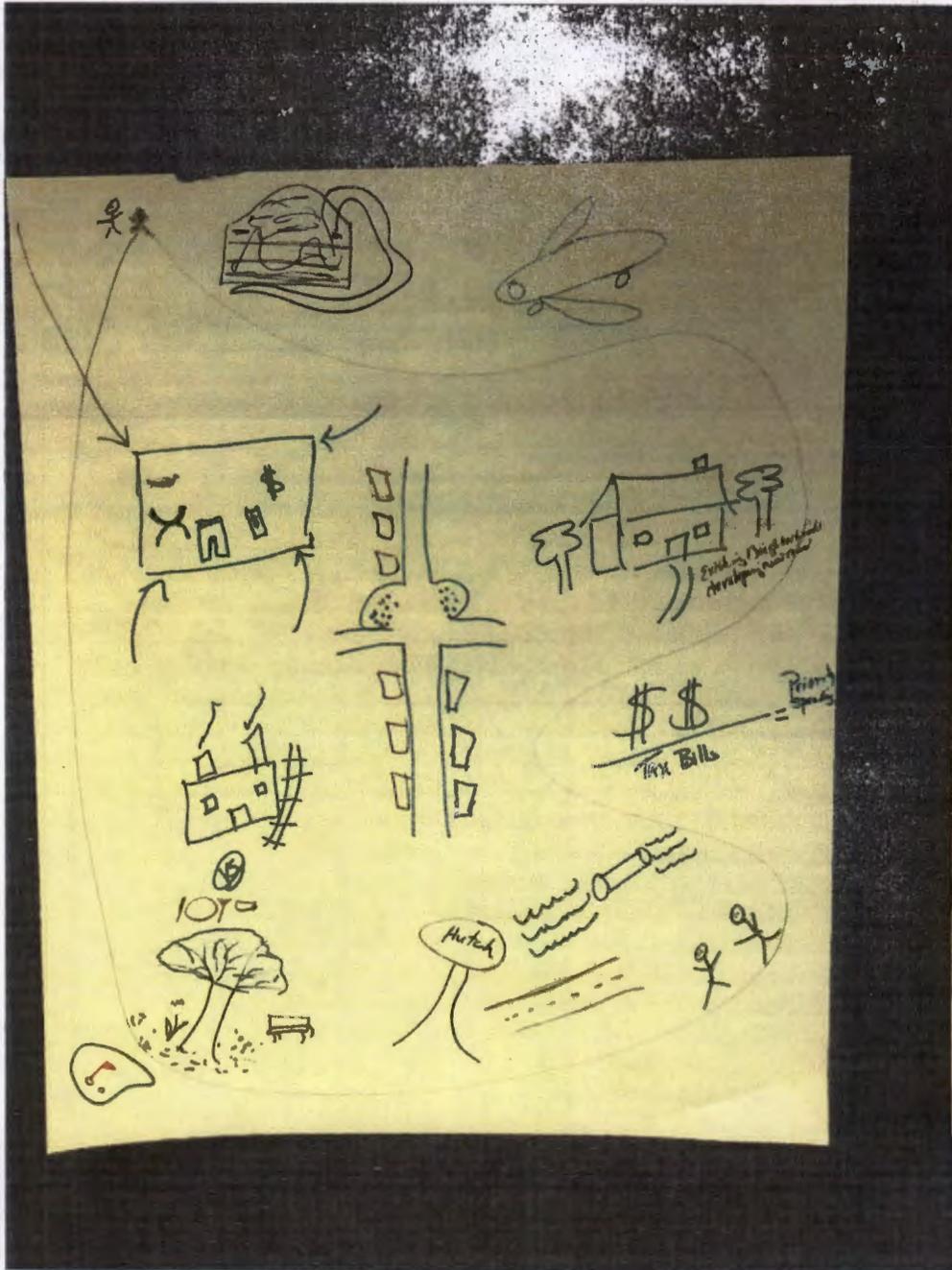
Lastly the participants were asked to verbalize the key points or themes into a preliminary list of goals.

The session ended with a discussion of how these goals might become a framework for their future efforts around planning, budgeting, decision making and performance assessment.



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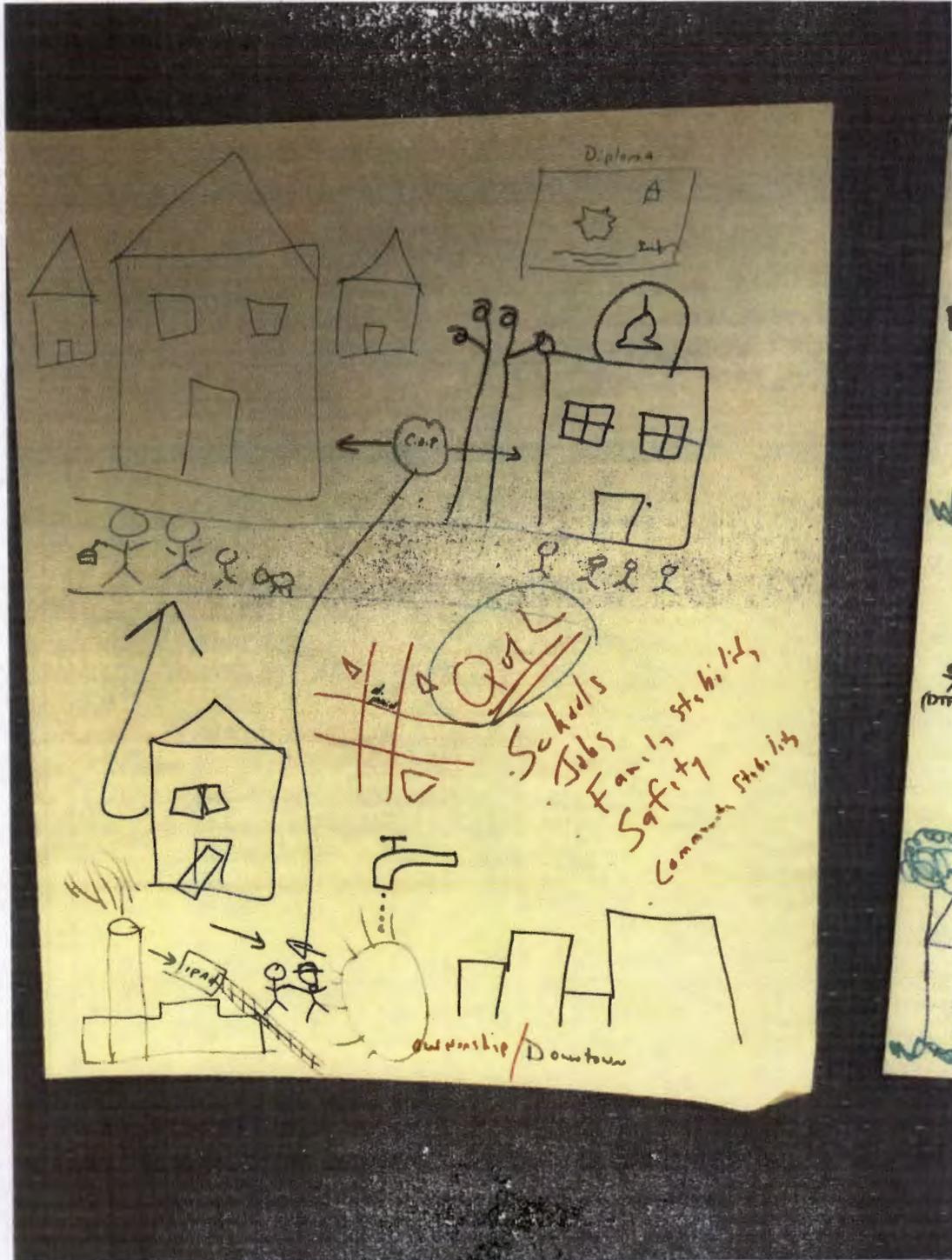
Charts from planning session:





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Charts from planning session:





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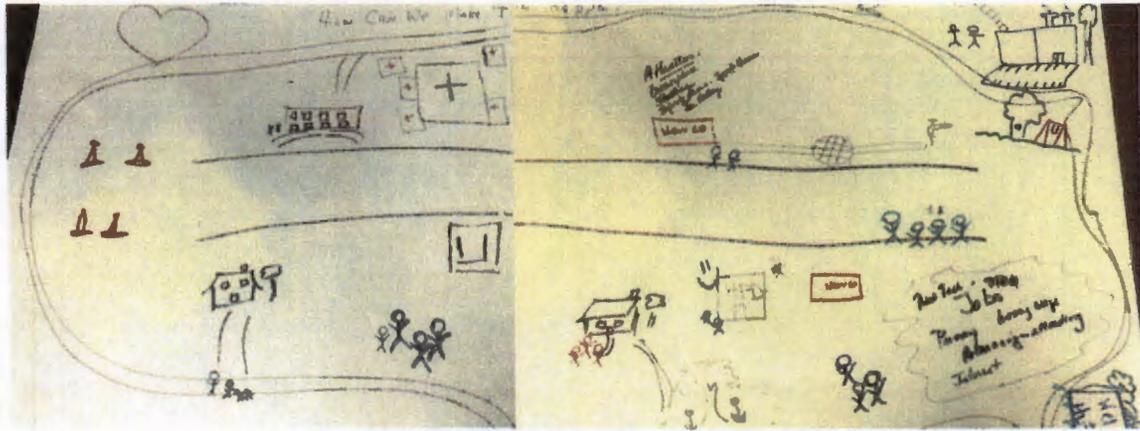
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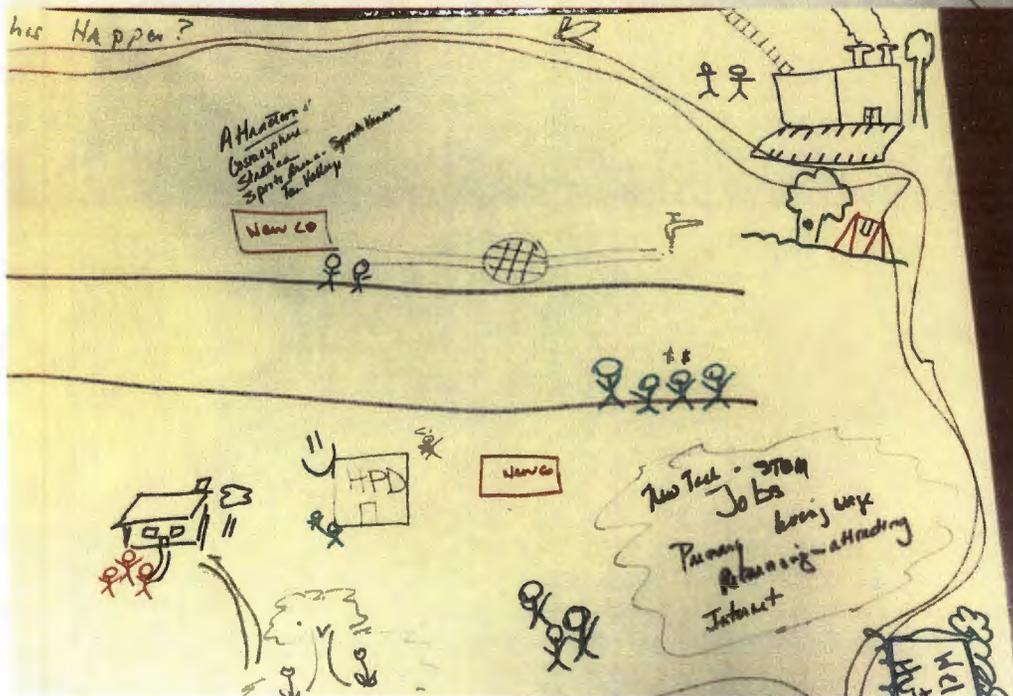
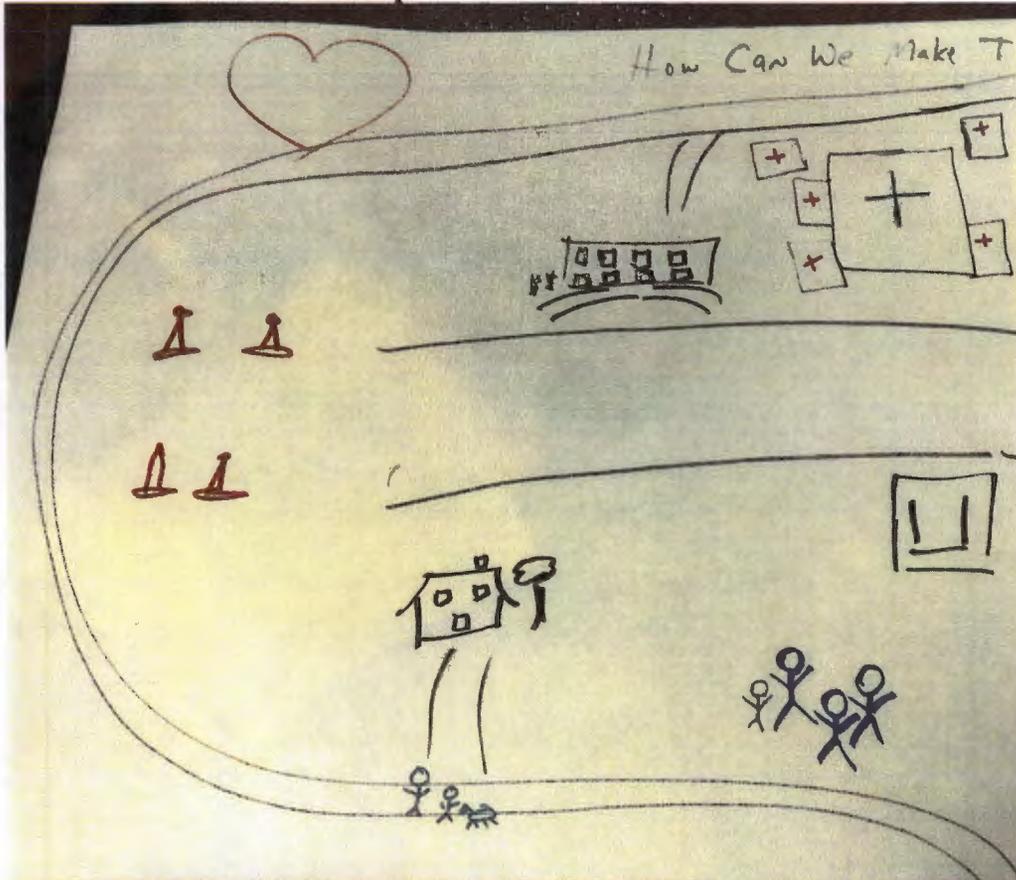


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**Combined Chart from planning session:**



Combined Charts - Close-up





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## **Preliminary Governing Body Goals**

### **Economic Development**

- Primary jobs
- Tourism
- Healthcare
- Downtown
- Airport

### **Housing**

- New
- Rehab
- Historic Preservation

### **Finances**

- Transparent, long-range planning to project long range financial needs

### **Infrastructure**

- Continued investment in infrastructure based on prioritized needs

### **Aesthetics**

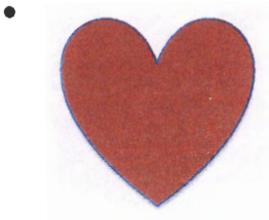
- Creating a physical environment that places an emphasis on attractive, livable spaces.

### **Safety**

- Proactive, positive presence focusing on community partnerships with police and fire. Desire to eliminate adversarial reputation, instead creating stronger positive perceptions and relationships with the community.

### **Community Cohesion**

- Facilitate connectedness in neighborhoods, encouraging inviting environments and taking advantage of cross-generational connections. These connections may be encouraged through trails, events, and common gathering places.





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## Moving Forward

The governing body goals represent a starting point and framework for establishing the direction of the city. The following considerations should be given:

1. Refine the definitions of the goals
2. Actively use the goals as a framework for internal communication
3. Use goals as a starting point for strategic planning activities
4. Use goals as a framework for determining priorities in the budgeting process
5. Use goals as a basis for directing and evaluating the City Manager and his staff
6. Use the goals to more effectively communicate and connect with the community
7. Use the goals as a common basis for Council discussions and deliberations
8. The goals should be revisited often and adjusted as time, situations and leadership dictate.

Please let me know if you have questions. It has been my pleasure to work with you and I hope we can work together again soon.

Regards,

A handwritten signature in blue ink, appearing to read 'Andy Huckaba', with a long horizontal flourish extending to the right.

Andy Huckaba  
President - Huckaba & Associates  
913-485-3210  
[andy@huckaba.com](mailto:andy@huckaba.com)

**INTER - OFFICE  
COMMUNICATION**

**DATE:** February 15, 2016

**TO:** John Deardoff, City Manager

**FROM:** Brian J. Clennan, P.E., Director of Public Works

**SUBJECT:** Water Rate Study

**BACKGROUND**

The City's last water rate study was completed in 2003 and recommended rates for 2005 – 2012. The City's water rates were last increased in 2011.

Table 1 shows current water rates for several communities.

City	Below Average Residential User (3.4 hcf/month)	Average Residential User (6.8 hcf/month)	Above Average Residential User (13.6 hcf/month)	Average Commercial User (52.3 hcf/month)
Emporia	\$15.73	\$23.08	\$37.71	\$113.55
Garden City	\$15.75	\$20.35	\$29.46	\$96.66
Wichita	\$16.81	\$21.67	\$48.42	\$121.77
Hutchinson (present)	\$18.04	\$26.50	\$43.43	\$150.80
Salina	\$19.61	\$30.93	\$66.79	\$216.14
Newton	\$25.98	\$46.21	\$86.67	\$316.94

Hutchinson City Council Policy 4 states that the minimum unrestricted Water Fund balance is required to have "one month previous year operating expense for working capital; + one month previous year operating expense for risk mitigation & emergency equipment replacement; + 5% of previous year water use charges for rate stabilization during low usage years". This equates to \$2,045,680 for 2015. At the end of 2015, the Water fund balance was \$4,814,608. In 2015, the water fund had \$8,177,929 in expenditures (\$250,000 under budget), \$6,897,396 in revenue (\$240,000 under budget), resulting in a decrease of \$1,280,533 in the water fund reserve balance.

Table 2 projects the water fund balance with anticipated expenses and revenues (with no rate increase) over the next five year.

Item	2016	2017	2018	2019	2020	2021
Expenditures	\$7,618,119	\$8,312,345	\$8,526,331	\$8,906,364	\$8,973,160	\$9,046,137
Revenues	\$7,244,998	\$7,867,104	\$7,399,772	\$7,416,512	\$7,435,152	\$7,451,872
Min. Required Balance	\$2,107,358	\$2,008,502	\$2,137,551	\$2,180,975	\$2,252,314	\$2,271,707
Projected Balance	\$4,441,487	\$3,996,246	\$2,869,687	\$1,379,835	(\$158,173)	(\$1,752,438)

### **CHANGES SINCE THE LAST STUDY**

The water remediation Tax Increment Financing (TIF) funding was not extended in 2015 resulting in the loss of approximately \$350,000 per year. Expenditures for the monitoring, reporting, and maintenance of remediation systems has averaged \$500,000 per year over the past five years and will continue for the foreseeable future.

City staff would like to increase CIP funding for the waterline replacement program. The City's waterline infrastructure is aging and we would like to replace more waterlines that are in poor condition. In 2015, the City budgeted \$450,000 for waterline replacements. By 2019, we would like to budget \$800,000 for waterline replacements.

Table 3 shows annual waterline replacement budgets for several communities.

<b>City</b>	<b>Budget</b>	<b>Approx. Miles of Water Mains</b>	<b>Budget (\$/mile)</b>
El Dorado	\$100,000	125	\$800
Hays	\$700,000	130	\$5,384
Salina	\$4,000,000	310	\$12,903
Garden City	\$700,000	165	\$4,242
Derby	\$400,000	150	\$2,667
Hutchinson (proposed)	\$800,000	315	\$2,540

### **PROPOSED RATES**

Tables ES-4 and ES-5 on page ES 1-3 of the attached executive summary show the impact the proposed rate increase has on Average and Large Users (Note, Option 1 is recommended).

Table 4 projects the water fund balance with anticipated expenses and revenues (with proposed rate increases) over the next five years.

<b>Item</b>	<b>2016</b>	<b>2017</b>	<b>2018</b>	<b>2019</b>	<b>2020</b>	<b>2021</b>
Expenditures	\$7,618,119	\$8,331,045	\$8,559,156	\$8,954,359	\$9,037,080	\$9,126,977
Revenues	\$7,244,998	\$8,259,804	\$8,089,097	\$8,424,407	\$8,777,472	\$9,149,512
Min. Required Balance	\$2,107,358	\$2,008,502	\$2,159,368	\$2,219,271	\$2,308,308	\$2,346,280
Projected Balance	\$4,441,487	\$4,370,246	\$3,900,187	\$3,370,235	\$3,110,627	\$3,133,162

The goal of the study was to get revenues to match expenditures by 2021.

## City of Hutchinson Water Rate Study

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### Executive Summary

The City of Hutchinson has retained Professional Engineering Consultants, P.A. to perform a water utility rate study to evaluate and analyze historical and projected revenues and expenditures to develop a water rate that will meet the City's financial requirements.

### Water System Growth

From the year 2011 to 2014, the City of Hutchinson's water utility has experienced an average annual customer growth rate of 0.23% for residential water customers, and 0.11% for commercial customers. This study utilized these calculated growth rates to project water usage based on the number of future customers and calculate anticipated revenues from 2017 through 2021.

### Water Utility Annual Costs

The City of Hutchinson's historical water department expenditures ranged from approximately \$6.6 million in 2013 to approximately \$13.4 million in 2012, with a budgeted revenue requirement of approximately \$7.2 million in 2016. This anticipated revenue required for 2016 includes budgetary requirements related the City's fund balance policy, which requires an end of year balance of just over \$1.7 million for 2016. The fund balance policy for the water department requires a minimum balance that includes one month previous year operating expense for working capital, plus one month previous year operating expense for risk mitigation and emergency equipment replacement, plus 5% of previous year water use charges for rate stabilization during low usage years.

The City's future budgetary requirements include an increase in CIP reserve funding for the waterline replacement program, and also include additional expenditures related to the water remediation Tax Increment Financing (TIF) fund. With the addition of these items and the continual growth of the City leading to rising expenditures, the current water rates are not adequate to meet required revenues in the future. Table ES-1 summarizes the City's anticipated expenditures from 2017 to 2021 if no water rate increases are implemented.

Table ES-1: Projected Water Utility Expenditures

Projected Water Utility Expenditures						
Year	2016 Budgeted	2017	2018	2019	2020	2021
Expenditures	\$7,618,119	\$8,312,345	\$8,526,331	\$8,906,364	\$8,973,160	\$9,046,137

Note: As projected water revenues increase, the anticipated expenditures will increase slightly due to the franchise fee that is revenue/expenditure neutral.

## City of Hutchinson Water Rate Study

Table ES-2 summarizes the projected revenues from 2017 to 2021 if no water rate increases are implemented and the current rate structure is maintained.

Table ES-2: Projected Water Utility Revenues

Projected Water Utility Revenues						
Year	2016 Budget	2017	2018	2019	2020	2021
Revenues	\$7,244,998	\$7,867,104	\$7,399,772	\$7,416,512	\$7,435,152	\$7,451,872

### Proposed Rates

In reviewing the budgetary requirements and revenue projections, it was determined that a water rate increase is necessary. Three options were considered for raising the current water rates and/or adjusting the rate structure, with two of the options being evaluated in detail. The City's existing declining rate structure sets a minimum monthly base charge based on meter size and charges an established rate for monthly water usage per hundred cubic feet (hcf) up to 500 hcf. Once the water user exceeds 500 hcf of water usage, the rate per hcf decreases. The rate decreases a third time for water usage that exceeds 5,000 hcf. The two options evaluated were maintaining the City's existing rate structure and applying a rate increase (Option 1), or eliminating the declining block structure and applying a uniform rate for all water usage while also establishing rate increases (Option 2).

The recommended changes to the water rates include continuing to utilize the declining rate structure currently in place and raising both the water rates and the minimum monthly base charges by 5.5% annually from 2017 to 2021. Table ES-3 summarizes the anticipated revenues and expenditures from 2017 to 2021 with the recommended rate increases.

Table ES-3: Projected Water Utility Revenues with Recommended Rate Increase

Option 1						
	2016 Budget	2017	2018	2019	2020	2021
Expenditures	\$7,618,119	\$8,331,045	\$8,559,156	\$8,954,359	\$9,037,080	\$9,126,977
Revenues	\$7,244,998	\$8,259,804 <sup>[1]</sup>	\$8,089,097	\$8,424,407	\$8,777,472	\$9,149,512

Note: As projected water revenues increase, the anticipated expenditures will increase slightly due to the franchise fee that is revenue/expenditure neutral.

[1] Includes a one-time transfer in from TIF – Water Remediation at \$485,122.

### Impact of Proposed Rates

Table ES-4 demonstrates how the proposed rate structures will affect the average water customer's monthly bills. The table compares costs for a below average residential user, an average residential user, an above average residential user, and an average commercial user. The evaluation of the average users does not show differing rates between options 1 and 2, since the average users do not approach the second block of water usage. The only users that will experience a difference in costs between options 1 and 2 are the large water users that exceed 500 hcf per month. The impact of options 1 and 2 on large water users is depicted in table ES-5.

## City of Hutchinson Water Rate Study

Table ES-4: Impact of Rate Alternatives – Average Users

Year	Below Average Residential User (3.4 hcf/month)			Average Residential User (6.8 hcf/month)			Above Average Residential User (13.6 hcf/month)			Average Commercial User (52.3 hcf/month)		
	Current Rates	Option 1	Option 2	Current Rates	Option 1	Option 2	Current Rates	Option 1	Option 2	Current Rates	Option 1	Option 2
2011 to Present	\$17.09	N/A	N/A	\$25.12	N/A	N/A	\$41.17	N/A	N/A	\$142.93	N/A	N/A
2017	\$17.09	\$18.04	\$18.04	\$25.12	\$26.50	\$26.50	\$41.17	\$43.43	\$43.43	\$142.93	\$150.80	\$150.80
2018	\$17.09	\$19.04	\$19.04	\$25.12	\$27.98	\$27.98	\$41.17	\$45.87	\$45.87	\$142.93	\$159.25	\$159.25
2019	\$17.09	\$20.07	\$20.07	\$25.12	\$29.49	\$29.49	\$41.17	\$48.32	\$48.32	\$142.93	\$167.77	\$167.77
2020	\$17.09	\$21.17	\$21.17	\$25.12	\$31.10	\$31.10	\$41.17	\$50.95	\$50.95	\$142.93	\$176.88	\$176.88
2021	\$17.09	\$22.32	\$22.32	\$25.12	\$32.79	\$32.79	\$41.17	\$53.74	\$53.74	\$142.93	\$186.57	\$186.57

Note: Water rates depicted above do not include 5% franchise fee, taxes, or state fees.

Option 1 – Recommended water rates based on an annual 5.5% increase.

Option 2 – Option for increase in water rates and eliminating declining block structure. Based on an annual 5.5% increase.

Table ES-5: Impact of Rate Alternatives – Large Users

Year	Large User (500 hcf/month, 2" meter)			Large User (5,000 hcf/month, 4" meter)			Large User (10,000 hcf/month, 6" meter)		
	Current Rates	Option 1	Option 2	Current Rates	Option 1	Option 2	Current Rates	Option 1	Option 2
2011 to Present	\$1,199.50	N/A	N/A	\$10,754.63	N/A	N/A	\$20,381.67	N/A	N/A
2017	\$1,199.50	\$1,265.57	\$1,265.57	\$10,754.63	\$11,361.53	\$12,486.53	\$20,381.67	\$21,540.06	\$24,965.06
2018	\$1,199.50	\$1,336.70	\$1,336.70	\$10,754.63	\$11,973.54	\$13,188.54	\$20,381.67	\$22,703.64	\$26,368.64
2019	\$1,199.50	\$1,407.90	\$1,407.90	\$10,754.63	\$12,630.66	\$13,890.66	\$20,381.67	\$23,912.42	\$27,772.42
2020	\$1,199.50	\$1,484.16	\$1,484.16	\$10,754.63	\$13,337.90	\$14,642.90	\$20,381.67	\$25,271.40	\$29,276.40
2021	\$1,199.50	\$1,565.49	\$1,565.49	\$10,754.63	\$14,050.26	\$15,445.26	\$20,381.67	\$26,635.60	\$30,880.60

Note: Water rates depicted above do not include 5% franchise fee, taxes, or state fees.

Option 1 – Recommended water rates based on an annual 5.5% increase.

Option 2 – Option for increase in water rates and eliminating declining block structure.

Option 2 – 2017 Rate Increases:

- 500 hcf/month = 5.5% increase
- 5,000 hcf/month = 16.1% increase
- 10,000 hcf/month increase = 22.5% increase

Option 2 – 2018 - 2021 Rate Increases: All user blocks = 5.5% increase

**INTER - OFFICE  
COMMUNICATION**

**DATE:** February 9, 2016  
**TO:** John Deardoff, City Manager  
**FROM:** Brian J. Clennan, P.E., Director of Public Works  
**SUBJECT:** Sewer Rate Study

**BACKGROUND**

The City's last sewer rate study was completed in 2004 and recommended rates for 2005 – 2009. The City's sewer rates were last increased in 2011.

The table below shows how the current rate compares to rates in other communities.

Table 1: 2015 Residential Monthly Sewer Charge assuming usage of 400 cubic feet (4 hcf)

<b>City (2015 rates unless otherwise noted)</b>	<b>Monthly Sewer Charge</b>
Hutchinson	\$12.68
Garden City	\$13.00
Hays (projected 2016 rate)	\$13.20
Hays (projected 2019 rate)	\$20.36
Wichita	\$16.71
Emporia	\$21.75
Leavenworth	\$22.10
Dodge City	\$22.44
Salina (projected 2016 rate)	\$22.93
Salina (projected 2020 rate)	\$26.61
Junction City	\$25.00
Pittsburg	\$25.46
Kansas City	\$25.74
Topeka	\$26.43
Manhattan	\$26.80
Olathe	\$26.93
Prairie Village	\$26.96
Lawrence	\$27.49
Johnson County Wastewater	\$28.59
Newton	\$42.07

Hutchinson City Council Policy 4 states that the minimum unrestricted Sewer Fund balance is required to have "one month previous year operating expense for working capital; + one month previous year operating expense for risk mitigation & emergency equipment replacement; + 5% of previous year sewer use charges for rate stabilization during low usage years". This equates to \$1,313,001 for 2015. At the end of 2015, the Sewer fund balance was \$3,915,812. In 2015, the sewer fund had \$6,137,292 in expenditures (\$500,000 under budget, largely due to staff vacancies), \$5,914,820 in revenue (\$100,000 over budget), resulting in a decrease of \$222,472 in the sewer fund reserve balance.

Table 2 projects the sewer fund balance with anticipated expenses and revenues (with no rate increase) over the next five year.

Item	2016	2017	2018	2019	2020	2021
Expenditures	\$6,907,860	\$7,159,452	\$6,849,640	\$6,957,483	\$7,325,714	\$7,505,362
Revenues	\$5,994,419	\$5,994,419	\$5,994,419	\$5,994,419	\$5,994,419	\$5,994,419
Min. Required Balance	\$1,295,781	\$1,433,602	\$1,475,534	\$1,423,899	\$1,441,873	\$1,503,244
Projected Balance	\$3,002,371	\$1,837,338	\$982,117	\$19,053	(\$1,312,242)	(\$2,823,185)

### **MAJOR PROJECT NEEDS**

The City has approximately \$4,500,000 in Capital Improvement Reserves for improvement projects associated with the sanitary sewer system. Below is a list of major projects planned for the next 5 years:

- \$3,750,000 in Sewer Rehab projects
- \$1,500,000 in UV Disinfection and Pump Station upgrades at the Wastewater Treatment Plant
- \$1,000,000 in Lift Station/Controls upgrades throughout the sewer collection system

### **CHANGES SINCE 2009**

The bullet points below compare 2009 (final year of previous rate study) and 2017 (first year of current rate study).

- The annual flow has decreased approximately 717,000 hcf
- The average residential use has decreased from 8 hcf to 6 hcf
- The operation, maintenance and replacement (OM&R) costs have stayed about the same:
  - 2009: \$5,288,695
  - 2017: \$5,284,952
- Administrative costs have increased \$645,000
  - 2009: \$860,255
  - 2017: \$1,505,400
  - In 2009, the water utility picked up the majority of the utility billing department. Now, those costs are evenly shared.
  - Cost allocation cost for parks and engineering has increased \$255,963.
- The cost to treat Biological Oxygen Demand (BOD) has decreased due to process changes at the Wastewater Treatment plant.

All of the above changes impact how we bill our customers. For example:

- The Minimum Monthly Charge (MMC, \$/month) covers administrative costs. Since administrative costs have gone up, the MMC needs to go up.
- The Proportional Monthly Charge (PMC, \$/hcf) covers OM&R costs, which have stayed about the same since 2009. However, the flows have decreased, so the cost/hcf need to increase.
- The BOD surcharge for BOD concentrations that exceed the Normal Domestic Waste concentrations has decreased since the cost to treat BOD has decreased.

**PROPOSED RATES**

The proposed rates are shown on page ii of the attached executive summary. The projected Residential and Commercial fees are shown on page iii of the attached executive summary.

Table 3 projects the sewer fund balance with anticipated expenses and revenues (with proposed rate increases) over the next five year.

<b>Item</b>	<b>2016</b>	<b>2017</b>	<b>2018</b>	<b>2019</b>	<b>2020</b>	<b>2021</b>
Expenditures	\$6,907,860	\$7,159,452	\$6,849,640	\$6,957,483	\$7,325,714	\$7,505,362
Revenues	\$5,994,419	\$6,740,556	\$6,770,588	\$7,296,046	\$7,326,211	\$7,618,494
Min. Required Balance	\$1,295,781	\$1,433,602	\$1,511,815	\$1,460,651	\$1,503,778	\$1,565,669
Projected Balance	\$3,002,371	\$2,583,475	\$2,504,423	\$2,842,986	\$2,843,483	\$2,956,615

The goal of the study was to get revenues to match expenditures by 2021.

## EXECUTIVE SUMMARY

### *Purpose*

The City of Hutchinson's sewer user charges were last evaluated in 2004 in a rate study prepared by Wilson & Company (February 2004, WCI File: X3410034). Based on that study the City adopted a user charge schedule, which established sewer rates for 2005-2009. The purpose of this study is to review the present system of sewer user charges and make recommendations for rate adjustments, as necessary, to meet the projected financial requirements of the Sewer Fund for 2017-2021.

### *Scope*

This Sewer User Charge Study involved a review of current Sewer Fund revenues and expenditures, and development of estimates for future expenditures for the 5-year period from 2017 through 2021. The future expenditures consist of operation, maintenance, and replacement (OM&R) costs for the Municipal Wastewater Treatment Facility and Sewer Collection System and Administrative Costs associated with the Sewer Fund.

The annual OM&R costs are recovered by the Proportional Monthly Charge (PMC) component and the extra-strength surcharge component of the sewer rates. OM&R costs were allocated to the three treatment parameters – flow, Biochemical Oxygen Demand (BOD) and Total Suspended Solids (TSS). Unit costs were established based on these three parameters and used to calculate PMC's and extra-strength surcharges. The net annual Administrative Costs are recovered by the Minimum Monthly Charge (MMC) component of the sewer rates and were used to develop MMC's. These various charges were incorporated into a rate structure, which will provide the necessary revenue to meet the projected requirements throughout the study period.

### *Summary and Recommendations*

Annual revenues and expenditures of the Sewer Fund for 2011-2015 are summarized below.

	2011	2012	2013	2014	Revised BUDGET 2015
Revenue	\$7,326,199	\$6,208,255	\$5,934,198	\$5,868,261	\$5,810,159
Expenditures	\$6,453,414	\$5,262,513	\$5,785,671	\$6,220,147	\$6,647,284

Annual revenue requirements of the Sewer Fund for 2017-2021 are projected to be:

	Budget 2016	2017	2018	2019	2020	2021
Total Budget Expenditures*	\$6,907,860	\$7,159,452	\$6,849,640	\$6,957,483	\$7,325,714	\$7,505,362
Total Revenue Required from Rates*	\$6,559,281	\$6,790,352	\$6,459,940	\$6,545,393	\$6,893,834	\$7,052,632

\* From Table 2-4

In order to meet the projected revenue requirements it is recommended the following schedule of sewer user charges be implemented.

Year	FR1 \$/mo.	FR2 \$/mo.	MMC1 \$/mo.	MMC2 \$/mo.	PMC \$/hcf	Surcharge, \$/lb.	
						BOD	TSS
2016	25.36	40.36	5.00	12.50	1.92	.235	.315
2017	26.80	46.30	6.50	16.25	2.30	.170	.340
2018	26.80	46.30	6.50	16.25	2.30	.170	.340
2019	29.70	52.50	7.50	18.75	2.45	.170	.340
2020	29.70	52.20	7.50	18.75	2.45	.170	.340
2021	31.60	56.50	8.30	20.75	2.50	.170	.340

FR1 is the flat rate charge for residential users located within the City and not connected to the municipal water supply. FR2 is the flat rate charge for residential users located outside the City and not connected to the municipal water supply. Flat rate users pay additional charges since their actual water consumption and respective wastewater discharges are not metered by the City. FR1 is based on 2 times the MMC1 plus 6 hcf (average residential use) times the PMC (\$ per hcf) charge. FR2 is based on 2 times the MMC2 plus 6 hcf times the PMC charge. For FR1 users (users located in the City), an exemption to the additional charge is available for residences occupied by no more than two persons, each at least 60 years of age.

The minimum monthly charge (MMC) includes no quantity of use. The proportional monthly charge (PMC) will apply at the first hcf of usage.

MMC1 is the minimum monthly charge for users located within the City and connected to the municipal water system. MMC2 is the minimum monthly charge for users located outside the City and connected to the municipal water system, and is 2.5 times the MMC1.

The total annual revenues and expenditures produced by the recommended user charges are estimated to be:

Year	Revenue	Required Revenue	Surplus / Deficit
2017	\$6,371,456	\$6,790,352	(\$418,896)
2018	\$6,380,888	\$6,459,940	(\$79,052)
2019	\$6,883,956	\$6,545,393	\$338,563
2020	\$6,894,331	\$6,893,834	\$497
2021	\$7,165,764	\$7,052,632	\$113,132

By 2021, the projected revenue will meet or exceed the required revenue from the projected expenditures, which was the goal for the rate study while minimizing rate increases by utilizing existing reserves.

A comparison of the recommended rates to the current 2016 rates are shown below for a typical monthly bill for average users:

Customer Type	Current 2016	Projected				
		2017	2018	2019	2020	2021
Residential (3 hcf)						
In-City, \$/mo.	10.76	13.40	13.40	14.85	14.85	15.80
Out-of-City, \$/mo.	18.26	23.15	23.15	26.10	26.10	28.25
Residential (6 hcf)						
In-City, \$/mo.	16.52	20.30	20.30	22.20	22.20	23.30
Out-of-City, \$/mo.	24.02	30.05	30.05	33.45	33.45	35.75
Residential (9 hcf)						
In-City, \$/mo.	22.28	27.20	27.20	29.55	29.55	30.80
Out-of-City, \$/mo.	29.78	36.95	36.95	40.80	40.80	43.25
Commercial (33 hcf)						
In-City, \$/mo.	68.36	82.40	82.40	88.35	88.35	90.80
Out-of-City, \$/mo.	75.86	92.15	92.15	99.60	99.60	103.25
Flat Rate (6 hcf)						
In-City, \$/mo.	25.36	26.80	26.80	29.70	29.70	31.60
Out-of-City, \$/mo.	40.36	46.30	46.30	52.20	52.20	56.50

Much of the increase in the proposed rates is the result of the current and projected needs for capital improvements related to the wastewater treatment facility and the sanitary sewer collection system. Capital improvements for system rehabilitation and replacement are proposed to be made to the wastewater treatment facility and to the collection system during this rate study period. The wastewater treatment facility's current National Pollutant Discharge Elimination System (NPDES) permit expires December 31, 2018. The permit standards are reviewed during the issuance of new permits. Discharge limits and treatment capabilities are subject to change at these intervals. However, the need continues for further evaluations of rehabilitation and replacement of the aging wastewater system infrastructure in order to adequately serve the community and meet federal and state water quality standards. Local dollars will be required to meet these needs. Sewer user charges are the current source of these local dollars.

### ***Other Findings***

Wastewater flows and characteristics were re-evaluated in this study. Based on current data, the average sewer usage for metered residential customers in the City was determined to be 5.88 hcf/month. Currently, 8 hcf/month is being used to determine flat residential user charges. It is recommended that the flow basis for billing unmetered users (Flat Rate) be changed to 6 hcf/month.

The Biological Oxygen Demand (BOD) and Total Suspended Solids (TSS) organic waste characteristics of normal domestic waste (NDW) were also re-evaluated using current data. The current values used to calculate extra-strength surcharges are 259 mg/l for BOD and 286 mg/l for TSS. It is recommended that the NDW characteristics above which surcharge rates apply be remained unchanged at 259 mg/l for BOD and 286 mg/l for TSS. Textbook sources indicate that the average domestic waste has a BOD concentration around 200 mg/l and TSS concentration around 240 mg/l.

Significant Industrial Users (SIU's), with wastewater that has BOD and TSS waste concentrations in excess of NDW concentrations are classified as Extra-Strength Users (ESU's) and are levied extra-strength surcharges for each pound (lb.) of BOD and TSS over NDW concentrations.

### ***Comparative Analysis***

In comparing the City of Hutchinson's sewer rate utility with those of other communities, it would appear as though the City's sewer rate structure will remain lower than the average of these communities. (This statement is based on the average, in city, residential sewer rate charge.)

In addition, comparisons were made with respect to the sewer fund utility balance and the expenditures for the collection system. Unfortunately, the results of these comparisons were inconclusive as the information for each City was very dependent on upcoming projects. The City of Hutchinson is maintaining a fund balance per policy of approximately \$1.5 million as other communities maintain a fund balance ranging between \$500,000 and \$6 million. The results for the annual replacement costs are very dependent on the amount of work each community is conducting to rehabilitate and/or replace portions of its collection system – and really show no comparison value.



*DATE: DECEMBER 16, 2015*

*RE: ICE STORM OF NOVEMBER 29, 2015*

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A meeting was called by City Manager, John Deardoff, regarding the November 29, 2015 ice storm. Those in attendance were: John Deardoff, Justin Combs, Jeremy Lindahl, Brian Clennan, Kreg Luman, Cecil Weible, Connie Johnson and Linda Ojeda.

General discussion was held regarding when to pick up limbs and when not to, do we need to have a policy in place, percent of homes that were affected, etc.

Brian Clennan said the dump site at Dillon Nature was somewhat of a problem in that there is no exit lane; and it's a tight fit for drop off. Cecil Weible said some people sat in line for two hours waiting to unload. Once you're in line, there's no way out. Kreg Luman said they did crack down on allowing trailers, as some of the people had difficulty backing them up, etc. Cecil indicated there was also some confusion as to who were contractors, lawn care providers, etc. He said it would have been easier to say if you're getting paid to haul the brush, you need to go to the landfill. They did experience some problems with commercial haulers, as well as one individual who had rented a wood chipper and expected crews to take the wood chips.

Justin Combs said there were additional problems with using Dillon Nature Center from the Hutchinson Recreation Commission standpoint. In the beginning, there was no power, limbs were still hanging, etc. Justin suggested looking for an alternative site in that part of town. Justin also said he believed probably 50% of those unloading limbs weren't City residents. Justin said he had talked to Pieter Miller at the airport about using some of the space there. He said one problem with using the airport is that we would be creating a wildlife habitat which we don't want to do. If no alternative site can be found, he would suggest not allowing trailers at the nature center. Linda suggested we may be able to contact the owners of vacant sites such as the old Consolidated building or the old Cessna building; and using those sites.

Kreg Luman said he had talked with someone from the Reno County Landfill last week and they were still getting approximately 171 loads a day. He said that was about what the City was receiving too. Cecil said that he had been told if the landfill was full, they would shut off the City drop off there too. They said they appreciated the City having the sites open; and being a buffer for them as it gave them time to burn off some of the limbs.

Kreg said we are fortunate the weather has been good; and that as the process went along they had to be flexible and make some changes. He said he knows a lot of people came in from the county to drop off limbs. He also said Fun Valley might be an alternate site for people to use.

There was additional discussion about large trailers/trucks vs. small trailers, out-of-town contractors, etc. John said maybe the City shouldn't use Dillon Nature Center as a drop-off site. Brian said that would probably be best. Discussion ensued regarding the Hyde Park pickup.

Justin said the City uses a contractor for tree trimming and tree removal, but they didn't have a rate for taking down limbs hanging from trees. He said they were able to make a "hand shake" deal with the contractor since there was nothing in writing. He suggested adding storm clean up and brush hauling to the City contract. Additional discussion ensued. It was also suggested that we do an addendum to the APAC contract for snow removal to include debris removal. John said if we do citywide pick up, we would hire contractors from outside the City. In 2007 the City spent about \$900,000 on contractors for debris removal, tree removal, stumping, etc. A determination was not received from FEMA for several weeks so the City began clean up. Curbside pickup was done for more than three months.

John said we might want to consider doing away with the Dillon Nature Center drop site because of the problems. He said if no other site is found, then we only use two sites. Discussion ensued.

Linda Ojeda suggested asking for ID's at the dump sites to prevent those coming in from the county using the sites. Brian said that may be hard to police. John said we could promote "resident only" dumping; and not allow contractors or county residents. Brian said it's hard to let the small contractors in but no large contractors. He said we either need to allow all contractors, or send them all to the landfill. Justin said it might be a good rule of thumb to not allow contractors. He said most contractors will have their name and DOT number on the side of their truck; and most lawn care services will have their name on the truck as well.

Connie Johnson suggested a brainstorming sessions to have things ready in advance before an event happens. She said no crisis is ever the same, but would could have guidelines that say if this happens, then we do this, etc. We could have a checklist done and ready to go for the next event, as well as times sites are open, maps showing the locations, etc. Connie said when questions come in, we need to have answers available at that time.

John said we need to decide how long to keep the dump sites open. We can't keep saying they will be open indefinitely. Justin said we need to give several weeks' notice

before closing the sites. Cecil said the City also needs to let residents know the dump sites will not be accepting Christmas trees. Jeremy said they will have a tree drop off at the Salt City Splash again.

John said it's hard to write a policy for this because if it's worse the next time, then what do you do. Brian said if it is worse; and the City decides to do curbside pickup, we don't have the budget for that. John said we would have to have a storm fund available for that. Brian suggested a fund of at least \$500,000. Discussion ensued. Justin asked if it would be advisable to create guidelines, not a policy. John said he had a printout from a location in Iowa that had guidelines that they follow. Kreg said Patty in Public Works was still fairly new; and wasn't familiar with what to do or what to tell people. He said it would have been handy to have something in place. Additional discussion ensued.

Brian asked about the time frame for the sites. He said a lot of the guys had worked 10 or 11 days straight; and they are tired. He suggested maybe having Sunday's off since the landfill is closed on Sunday. Everyone agreed that was a good idea. Kreg said barricades could be put up, but they won't stop anyone. Cecil said the Police Department could be notified; and they could patrol those sites more. John said having the sites open on Sunday during the initial aftermath is important, but we could then discontinue manning the sites on Sundays. Brian said it was important to have someone at the sites directing traffic, etc. Kreg said the main reason they began having someone staff the entry was because people were mixing trash in with the limbs; and the landfill had already told them that was not acceptable. He also said that person could count the loads coming in, helping them get an idea on volume. Cecil said on the busiest day at Dillon Nature Center there were over 300 loads dumped.

Connie said the VOAD group she works with had only three calls for assistance. Kreg said at the beginning, we needed to know who people could call for help. John said he had talked with Tona Turner at United Way about volunteers, but said he had to make sure they understood it would be removing limbs, not just hauling them to the curb.

John said when he was on the radio he explained the 2007 ice storm; and the help we received from FEMA. He said people seemed to understand that. Discussion ensued about posts on social media, etc.

John said he wants to put the information together; and sit down with the council to discuss things. He said he is reluctant to have an exact policy. Connie said she's just suggesting we have guidelines that can be posted so the public will have a reference point. John talked about the 2007 storm versus the 2015 storm. Jeremy said a lot of trees were taken out after the 207 storm which helped reduce the amount of loss this time. Brian said it would be nice to know if FEMA is going to declare a disaster in a more timely manner. John said the county does their resolution, it goes to the state, then the

governor declares an emergency. He said this storm was very isolated. Additional discussion ensued.

John said we will summarize everything from the meeting; and possibly get back together. He said he wants to sit down with the council for a study session. John said he appreciates everyone's thoughts on this; and said we can probably start on a fact sheet that lists the dump sites, hours, etc. He again said we may need to omit Dillon Nature Center or limit it to trucks only. Kreg said there were no problems at Rice or Stremel; and maybe we just need to limit DNC. He said we need to be mindful of their schedule. Brian said it definitely impacted DNC and their activities. John said we need a better site up north. Craig said the Eaton site was a good idea.

Additional discussion ensued regarding general matters; and the meeting adjourned.