

WASHINGTON CITY COUNCIL MINUTES
Adjourned Meeting –City Hall
September 22, 2021

1. Call to order by Mayor.

2. Roll Call.

Present: Ryan Kern, Mayor
Kevin Elder, Council Member
Theresa Herrs, Council Member
Don Imhoff, Council Member
Carolyn Pinnick, Council Member
Roxanne Schottel, Council Member

Absent:

Staff Present: Carl Chalfant, City Administrator
Denise Powell, City Clerk
Richard Applegarth, Power Plant Operator
Terry Morse, Power Plant Operator

Others: Cynthia Scheer, Washington County News
Jerry Welch, Washington

3. Power Plant Insurance Claim.

Terry Morse, power plant operator, received a letter from James Hunt, EMC claims specialist, along with a loss statement in reference to the claim submitted on engine 7 in which staff believes ice dislodged in the pipe and went into the engine. The City received a check from EMC on September 20, 2021, for the blower replacement of \$28,690 less the \$5,000 deductible.

Upon EMC receiving a written bid on the overhaul of the engine, the City may receive more reimbursement. An estimate for materials from Fairbanks Morse and a separate estimate for labor were given to the Council for review.

Morse and Applegarth, power plant operator, stated they received more information at 4:30 p.m. today from Jim Hunt, EMC, the City may receive \$665,105 for damages to engine 7. Morse stated Hunt agreed that it would not be beneficial to go with the Farabee motor replacement due to cost and if the City received money for the damages of engine 7 it could be used for some other motor. Applegarth stated it is just phone confirmation at this time with EMC and if the City should receive insurance proceeds, he would like those funds used toward the purchase of the two new engines.

4. Purchase of Two Engines/Financing.

Terry Morse and Richard Applegarth, power plant operators, provided more documentation on the purchase of two Fairbanks Morse engines. City Administrator Carl Chalfant sought quotes from FNB Washington and United Bank & Trust for financing the two engines. Quotes were opened at the meeting.

FNB proposal was to lease two engines for the city power plant at approximately \$1,555,000 with amortization period of 20 years. The lease would have a variable rate beginning at 2.5% with rate changes every three years. Payment could be made either quarterly or monthly over 20 years. City would be responsible for legal fees to draft the lease. The City would be required to maintain and provide insurance for the engines and provide financial information as requested to meet all normal underwriting standards. The rate of 2.5% will be guaranteed until Nov. 1, 2021.

United Bank & Trust proposal was for a lease purchase agreement in the amount of \$1,533,000. The bank would fund the entire amount and hold the funds in escrow. Funds will be available upon request to purchase equipment/engines and all other expenses for the improvement of the site. Documentation of purchase and expenses will be required. Interest rate would be fixed at 3.78% for the term of the 20-year lease. Payments may be made monthly, semi-annually or annually. No penalty for paying off early.

Motion to purchase two engines not to exceed \$1,533,000 with financing at UB&T at a 3.78% fixed interest rate for 20 years by Imhoff and seconded by Elder.

Vote: Ayes: Kevin Elder
Don Imhoff
Carolyn Pinnick
Roxanne Schottel
Nay: Theresa Herrs

Council Member Don Imhoff asked the Council if they want to see the power plant remain open. Council Member Theresa Herrs stated she didn't think that was the question on the table and that the decision was to purchase engines or not.

Herrs asked if engines 4, 5 and 7 would go away and if the city would almost double the capacity. Morse said they could. Applegarth said the capacity would increase but wouldn't quite double. Mayor Ryan Kern asked about numbers.

Applegarth said there was a spreadsheet for the Council from 2012 to 2021 for when the City generated, which was a total of 171.75 hours, and of that 55.05 hours were when City was totally in black and 116.07 hours was required to have a RICE-NESHAP compliant engine. Applegarth also stated that if the power plant were to close the City would have to pay \$83,000 per year to meet the current contracts they have now. The City would also lose \$20,000 a year in capacity payments.

Kern asked Applegarth and Morse if the City used the engines to shave peak. Applegarth said no. The question was asked if two engines were purchased could one person operate them? Applegarth said no, engines shouldn't be operated with just one person. Morse said if more than two engines are used there should be two people. City Council Member Carolyn Pinnick asked if other city staff was able to operate engines. Applegarth said Chalfant and Jake Oppenheimer, lineman, are. Pinnick responded Oppenheimer is 30 minutes away. Chalfant stated that linemen Larry Pape and Mike Manning are also able to operate engines. Applegarth stated he tries to stand back and to lead staff through it. Chalfant said Applegarth is good at taking the lead.

Council discussed financing. The rate study will not be completed for two and a half months. Chalfant proposed financing the whole thing. Chalfant proposed increasing rates by one-half cent per kilowatt and paying the rest out of reserve, and then re-evaluate in a year to see if rates needed to increase another half cent. Darrin Prince, KMEA, estimated at the September 7th meeting it would take a one cent increase in the electric rate to cover the cost of the purchase of the two engines. He said he wouldn't know the exact amount until the rate study was completed.

Kern stated his biggest concern was the numbers. Elder stated if the City doesn't move forward "the City will lose big time". Herrs asked about fixing engines. Elder said it was not smart to fix the engine as it remains a diesel engine. Elder stated "It may look like a lot of money but you're going to see hellacious costs in the future". Kern asked about a new engine. Morse stated it is over a million dollars to purchase one new engine and the new engines require service contracts to maintain. The older engines are still being made, parts are still available and staff are able to work on them.

Herrs stated she would feel better about making a decision once the rate study was completed.

Jerry Welch, Washington, asked who pays attention to the fuel adjustment. City Clerk Denise Powell stated that the City office receives calls every month on the fuel adjustment, and Chalfant concurred.

Imhoff again asked if this was a turn key operation at a cost of \$1.533 million dollars. Morse said the dollar amount is high and that is a "not to exceed" number. These engines are made to fit into the slots at the power plant and it is hard to find engines in these conditions, according to Morse.

Council members asked if everything else at the plant was in good working condition. Applegarth and Morse both agreed it was and the WSAC (cooling tower) was just redone.

Schottel asked if they spend \$1.533 million dollars, how long could the engines be expected to last. Morse stated the 1971 Fairbanks Morse engines would last 40,000-60,000 hours. It was also asked if trucking was part of the bid, which Morse and Applegarth confirmed.

Herrs says one engine will do it, but two would be nice and her hang up is the cost. This is an unplanned and unbudgeted expense.

Council asked what is the determinant for going for two engines. Applegarth said it was more economical to run the two engines per kilowatt hour. Also, if one engine has trouble, the second engine along with the rest of the engines would cover the load. Chalfant said there is a price break also.

All Council Members agreed the deal would be sweeter if the City would get the insurance money.

Kern stated the options are to buy one engine, two engines, repair current engines, or do nothing, and asked the Council what they wanted to do.

5. Transformer Bids.

Motion to purchase a three-phase pad mount 500 KVA transformer from Midwest Electric Transformer Service at a cost of \$11,625.00 plus \$988.13 tax by Imhoff seconded by Elder.

Vote: Ayes: Kevin Elder
Theresa Herrs
Don Imhoff
Carolyn Pinnick
Roxanne Schottel

This transformer is for the courthouse, as the current transformer would need a tap changer installed, and rewound, and this would take approximately two weeks. Staff is seeking a cost estimate to rewind and install a tap changer on the one in use now so the City would have a backup transformer if this one were to go out. Staff had not received a price at the time of Council.

Council Member Kevin Elder asked if this transformer was needed now or five years from now. He stated the Council has been told for the last few years that conversion would be done and it hasn't been. City Administrator Carl Chalfant stated he sure hoped so. Chalfant also said this was a big line that fed businesses along Highway 36 such as Casey's and would probably require assistance from Clay Center.

6. Executive Session.

Motion to enter into executive session to review applications and resume for power plant operator for non-elected personnel to include the Mayor, Council, and City Administrator to resume at 8:00 p.m. by Schottel and seconded by Imhoff.

Vote: Ayes: Kevin Elder
Theresa Herrs
Don Imhoff
Carolyn Pinnick
Roxanne Schottel

7. Executive Session.

Motion to enter into executive session to review applications and resume for power plant operator for non-elected personnel to include the Mayor, Council, City Administrator, and City Clerk to resume at 8:07 p.m. by Schottel and seconded by Pinnick.

Vote: Ayes: Kevin Elder
Theresa Herrs
Don Imhoff
Carolyn Pinnick
Roxanne Schottel

Motion to adjourn by Imhoff seconded by Schottel.

Vote: Ayes: Kevin Elder
Theresa Herrs
Don Imhoff
Carolyn Pinnick
Roxanne Schottel

Meeting adjourned at 8:08 p.m.

Denise M. Powell, City Clerk